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LEGISLATIVE HISTORY

Public Law 34--78th Congress

Chapter 52--1st Session

H. R. 1780

TABLE OF CONTENTS

Digest of Public Law 34	1
Index and Summary of History on H. R. 1780	1

INDEX OF PUBLIC LAW 34

PUBLIC DEBT ACT OF 1943. Increases the U. S. debt limit to \$210,000,000,000 and nullifies the President's \$25,000 salary-limitation order.

INDEX AND SUMMARY OF HISTORY OF H. R. 1790

January 25, 1943	S. 566 introduced by Mr. George. Similar bill. H. R. 1470 introduced by Mr. Doughton. Similar bill.
January 28, 1943	H. R. 1530 introduced by Mr. Gearhart. Similar bill.
January 29, 1943	Hearings: House, H. R. 1470. Senate, S. 566.
February 5, 1943	H. R. 1721 introduced by Mr. Gearhart. Similar bill. H. R. 1722 introduced by Mr. Gearhart. Similar bill.
February 10, 1943	H. R. 1790 introduced by Mr. Disney and referred to the Committee on Ways and Means.
February 25, 1943	House Ways and Means Committee reported H. R. 1790 without amendment. House Report 131. Print of the bill as reported.
March 5, 1943	House Res. 149 reported by Rules Committee for consideration of the bill and waiving points of order.
March 11, 1943	Debated in House.
March 12, 1943	Debate continued and passed House without amendment.
March 16, 1943	Referred to the Senate Committee on Finance.
March 19, 1943	Senate Committee on Finance reported H. R. 1790 with an amendment. Senate Report 123. Print of the bill as reported. Speech of Mr. Disney in the House.
March 23, 1943	Bill read and passed Senate as reported. Senate asks for conference and appointed Conferees.
March 24, 1943	House Conferees appointed. House agrees to Conference Report. House Report 226.
March 25, 1943	Senate agrees to Conference Report.
April 11, 1943	Bill received by the President, Thursday, March 30, 1943. Became Public Law 34 April 11, 1943, without presidential approval. President's message on the bill.

S. 566

IN THE SENATE OF THE UNITED STATES

JANUARY 25, 1943

Mr. GEORGE introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To increase the debt limit of the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the Public Debt Act of 1943.

4 SEC. 2. Section 21 of the Second Liberty Bond Act, as
5 amended, is further amended to read as follows:

6 “SEC. 21. The face amount of obligations issued under
7 the authority of this Act shall not exceed in the aggregate
8 \$210,000,000,000 outstanding at any one time.”

9 SEC. 3. Section 22 of the Second Liberty Bond Act, as
10 amended, is further amended by adding at the end thereof
11 the following subsections:

1 “(h) The Secretary of the Treasury, under such regula-
2 tions as he may prescribe, may authorize or permit payments
3 in connection with the redemption of savings bonds to be
4 made by incorporated banks and trust companies.

5 “(i) Any losses resulting from payments made in con-
6 nection with the redemption of savings bonds shall be re-
7 placed out of the fund established by the Government Losses
8 in Shipment Act, as amended, under such regulations as
9 may be prescribed by the Secretary of the Treasury. The
10 Treasurer of the United States, any Federal Reserve bank,
11 or any incorporated bank or trust company authorized or per-
12 mitted to make payments in connection with the redemption
13 of such bonds, shall be relieved from liability to the United
14 States for such losses, upon a determination by the Secretary
15 of the Treasury that such losses resulted from no fault or
16 negligence on the part of the Treasurer, the Federal Reserve
17 bank, or the incorporated bank or trust company. The Post
18 Office Department or the Postal Service shall be relieved
19 from such liability upon a joint determination by the Post-
20 master General and the Secretary of the Treasury that such
21 losses resulted from no fault or negligence on the part of the
22 Post Office Department or the Postal Service. The pro-
23 visions of section 3 of the Government Losses in Shipment
24 Act, as amended, with respect to the finality of decisions by
25 the Secretary of the Treasury shall apply to the determina-

1 tions made pursuant to this subsection. All recoveries and
2 repayments on account of such losses, as to which replace-
3 ment shall have been made out of the fund, shall be credited
4 to it and shall be available for the purposes thereof. The
5 Secretary of the Treasury shall include in his annual report
6 to the Congress a statement of all payments made from the
7 fund pursuant to this subsection.”

78TH CONGRESS
1ST Session

S. 566

A BILL

To increase the debt limit of the United States,
and for other purposes.

By Mr. GEORGE

JANUARY 25, 1943

Read twice and referred to the Committee on Finance

78TH CONGRESS
1ST SESSION

H. R. 1470

IN THE HOUSE OF REPRESENTATIVES

JANUARY 25, 1943

Mr. DOUGHTON introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To increase the debt limit of the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the Public Debt Act of 1943.

4 SEC. 2. Section 21 of the Second Liberty Bond Act,
5 as amended, is further amended to read as follows:

6 “SEC. 21. The face amount of obligations issued under
7 the authority of this Act shall not exceed in the aggregate
8 \$210,000,000,000 outstanding at any one time.”

9 SEC. 3. Section 22 of the Second Liberty Bond Act, as
10 amended, is further amended by adding at the end thereof
11 the following subsections:

1 “(h) The Secretary of the Treasury, under such regula-
2 tions as he may prescribe, may authorize or permit payments
3 in connection with the redemption of savings bonds to be
4 made by incorporated banks and trust companies.

5 “(i) Any losses resulting from payments made in con-
6 nection with the redemption of savings bonds shall be re-
7 placed out of the fund established by the Government Losses
8 in Shipment Act, as amended, under such regulations as
9 may be prescribed by the Secretary of the Treasury. The
10 Treasurer of the United States, any Federal Reserve bank,
11 or any incorporated bank or trust company authorized or
12 permitted to make payments in connection with the redemp-
13 tion of such bonds, shall be relieved from liability to the
14 United States for such losses, upon a determination by the
15 Secretary of the Treasury that such losses resulted from no
16 fault or negligence on the part of the Treasurer, the Federal
17 Reserve bank, or the incorporated bank or trust company.
18 The Post Office Department or the Postal Service shall be
19 relieved from such liability upon a joint determination by the
20 Postmaster General and the Secretary of the Treasury that
21 such losses resulted from no fault or negligence on the part
22 of the Post Office Department or the Postal Service. The
23 provisions of section 3 of the Government Losses in Ship-
24 ment Act, as amended, with respect to the finality of deci-
25 sions by the Secretary of the Treasury shall apply to the

1 determinations made pursuant to this subsection. All re-
2 coveries and repayments on account of such losses, as to
3 which replacement shall have been made out of the fund,
4 shall be credited to it and shall be available for the purposes
5 thereof. The Secretary of the Treasury shall include in his
6 annual report to the Congress a statement of all payments
7 made from the fund pursuant to this subsection.”

78TH CONGRESS
1ST Session

H. R. 1470

A BILL

To increase the debt limit of the United States,
and for other purposes.

By Mr. DOUGHTON

JANUARY 25, 1943

Referred to the Committee on Ways and Means

78TH CONGRESS
1ST SESSION

H. R. 1580

IN THE HOUSE OF REPRESENTATIVES

JANUARY 28, 1943

Mr. GEARHART introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To increase the debt limit of the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the Public Debt Act of 1943.

4 SEC. 2. Section 21 of the Second Liberty Bond Act,
5 as amended, is further amended to read as follows:

6 “SEC. 21. The face amount of obligations issued under
7 the authority of this Act shall not exceed in the aggregate
8 \$210,000,000,000 outstanding at any one time.”

9 SEC. 3. Section 22 of the Second Liberty Bond Act, as
10 amended, is further amended by adding at the end thereof
11 the following subsections:

1 “(h) The Secretary of the Treasury, under such regula-
2 tions as he may prescribe, may authorize or permit payments
3 in connection with the redemption of savings bonds to be
4 made by incorporated banks and trust companies.

5 “(i) Any losses resulting from payments made in con-
6 nection with the redemption of savings bonds shall be re-
7 placed out of the fund established by the Government Losses
8 in Shipment Act, as amended, under such regulations as
9 may be prescribed by the Secretary of the Treasury. The
10 Treasurer of the United States, any Federal Reserve bank,
11 or any incorporated bank or trust company authorized or
12 permitted to make payments in connection with the redemp-
13 tion of such bonds, shall be relieved from liability to the
14 United States for such losses, upon a determination by the
15 Secretary of the Treasury that such losses resulted from no
16 fault or negligence on the part of the Treasurer, the Federal
17 Reserve bank, or the incorporated bank or trust company.
18 The Post Office Department or the Postal Service shall be
19 relieved from such liability upon a joint determination by the
20 Postmaster General and the Secretary of the Treasury that
21 such losses resulted from no fault or negligence on the part
22 of the Post Office Department or the Postal Service. The
23 provisions of section 3 of the Government Losses in Ship-
24 ment Act, as amended, with respect to the finality of deci-
25 sions by the Secretary of the Treasury shall apply to the

1 determinations made pursuant to this subsection. All re-
2 coveries and repayments on account of such losses, as to
3 which replacement shall have been made out of the fund,
4 shall be credited to it and shall be available for the purposes
5 thereof. The Secretary of the Treasury shall include in his
6 annual report to the Congress a statement of all payments
7 made from the fund pursuant to this subsection.”

8 SEC. 4. No provision of law heretofore enacted shall
9 be held or considered to authorize the limitation to any
10 specified amount (whether before or after allowance for
11 any taxes or other items) of the salary, wages, or other
12 compensation for personal services which may, in any speci-
13 fied period of time, be paid to, accrued in respect of, or
14 received by, any individual not an officer or employee of
15 the United States; and any regulation heretofore issued
16 which prescribes any such limitation shall, to the extent
17 that it so prescribes, be void from the time of its issuance.

78TH CONGRESS
1ST Session

H. R. 1580

A BILL

To increase the debt limit of the United States,
and for other purposes.

By Mr. GEARHART

JANUARY 28, 1943

Referred to the Committee on Ways and Means

HEARINGS
BEFORE THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
SEVENTY-EIGHTH CONGRESS
FIRST SESSION
ON
H. R. 1470
A BILL TO INCREASE THE DEBT LIMIT OF THE
UNITED STATES, AND FOR OTHER PURPOSES

JANUARY 29 AND FEBRUARY 14, 1943

Printed for the use of the Committee on Ways and Means



COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

ROBERT L. DOUGHTON, North Carolina, *Chairman*

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JERE COOPER, Tennessee	HAROLD KNUTSON, Minnesota
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PAUL H. MALONEY, Louisiana	

ZEB V. LONG, *Clerk*

MARION Y. MCCANLESS, *Assistant Clerk*

CONTENTS

Statement of:	Page
Bell, Daniel W., Under Secretary of the Treasury-----	2
Patman, Hon. Wright, a Representative in Congress from the State of Texas-----	35
Owen, Robert L., former United States Senator from Oklahoma-----	67
Voorhis, Hon. Jerry, a Representative in Congress from the State of California-----	79

DEBT LIMIT OF THE UNITED STATES

FRIDAY, JANUARY 29, 1943

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

The committee met at 10 a. m., Hon. Robert L. Doughton (chairman) presiding.

The CHAIRMAN. The committee will please come to order.

We have met this morning for the consideration of H. R. 1470, introduced by the chairman of the committee at the request of representatives of the Treasury Department.

The clerk will please read the bill.

(The clerk read the bill as follows):

[H. R. 1470, 78th Cong., 1st sess.]

A BILL To increase the debt limit of the United States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Public Debt Act of 1943.

SEC. 2. Section 21 of the Second Liberty Bond Act, as amended, is further amended to read as follows:

"SEC. 21. The face amount of obligations issued under the authority of this Act shall not exceed in the aggregate \$210,000,000,000 outstanding at any one time."

SEC. 3. Section 22 of the Second Liberty Bond Act, as amended, is further amended by adding at the end thereof the following subsections:

"(h) The Secretary of the Treasury, under such regulations as he may prescribe, may authorize or permit payments in connection with the redemption of savings bonds to be made by incorporated banks and trust companies.

"(i) Any losses resulting from payments made in connection with the redemption of savings bonds shall be replaced out of the fund established by the Government Losses in Shipment Act, as amended, under such regulations as may be prescribed by the Secretary of the Treasury. The Treasurer of the United States, any Federal Reserve bank, or any incorporated bank or trust company authorized or permitted to make payments in connection with the redemption of such bonds, shall be relieved from liability to the United States for such losses, upon a determination by the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Treasurer, the Federal Reserve bank, or the incorporated bank or trust company. The Post Office Department or the Postal Service shall be relieved from such liability upon a joint determination by the Postmaster General and the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Post Office Department or the Postal Service. The provisions of section 3 of the Government Losses in Shipment Act, as amended, with respect to the finality of decisions by the Secretary of the Treasury shall apply to the determinations made pursuant to this subsection. All recoveries and repayments on account of such losses, as to which replacement shall have been made out of the fund, shall be credited to it and shall be available for the purposes thereof. The Secretary of the Treasury shall include in his annual report to the Congress a statement of all payments made from the fund pursuant to this subsection."

The CHAIRMAN. Mr. Bell, if you desire to make a statement to the committee in connection with this bill we will be glad to hear you at this time.

STATEMENT OF DANIEL W. BELL, THE UNDER SECRETARY OF THE TREASURY, ACCOMPANIED BY JOHN L. SULLIVAN, ASSISTANT SECRETARY OF THE TREASURY; GEORGE C. HAAS, DIRECTOR OF RESEARCH AND STATISTICS; AND WILLIAM S. BROUGHTON, COMMISSIONER OF THE PUBLIC DEBT, TREASURY DEPARTMENT

Mr. BELL. Mr. Chairman, I have no formal statement to present, but I can give you a general statement of the purposes of the bill, and also some figures that might be of interest in your consideration of it.

The gross debt as of December 31, 1942, was \$108,000,000,000. That leaves us about \$14,000,000,000 of borrowing authority, after taking into consideration unearned discount on Savings bonds.

We expect in April to have another large financial operation. The \$14,000,000,000 will not be enough to take care of that operation, because by March 31 the remaining borrowing authority will be down to about \$6,000,000,000. That is the amount that will be left on March 31.

So, if we have another large borrowing campaign—and one will be necessary in April—we will have to have an increase in the debt limitation prior to that drive.

The Budget estimates that the gross debt on June 30, 1943, will be \$135,000,000,000.

The CHAIRMAN. That is at the beginning of the next fiscal year?

Mr. BELL. Beginning of the fiscal year 1944.

Mr. GEARHART. Does that cover the requirements?

Mr. BELL. That is the Budget estimate of the debt at that time, based on the estimated receipts and expenditures for this current year, contained in the Budget document submitted to Congress this month.

The Budget also estimates that the total public debt on June 30, 1944, will be \$210,000,000,000. That is the year you are now dealing with in Congress, as far as appropriations are concerned. That is just the amount of the limitation we have asked for in this bill.

That, of course, is without taking account of any additional taxes which Congress may enact this session.

The CHAIRMAN. According to your present estimate, if this bill should be written into law and this authorization approved, you would not need the debt limit increased earlier than June 30, 1944?

Mr. BELL. No, sir; if you enact all appropriations recommended in the Budget, and if the expenditures are made that are estimated in that document, we will exhaust the limitation of \$210,000,000,000 that we are asking for in this bill by June 30, 1944. If the war goes on we will have to have another increase after that date.

Mr. REED. If all these appropriations are made that are in the Budget message, and there should be no increase in taxes, what do you estimate the deficit will be?

Mr. BELL. The deficit for the current fiscal year, including expenditures by Government corporations, is estimated at \$62,000,000,000, and the deficit for the fiscal year 1944, without any additional taxes, is estimated at \$76,000,000,000.

Mr. COOPER. As the picture is now presented under the Budget the debt limit of \$210,000,000,000 as requested in this bill will take care of the situation for 1 year from this June 30?

Mr. BELL. That is right; yes, sir.

Mr. COOPER. In other words, for the fiscal year beginning July 1 of this year and extending down to June 30 of next year, the picture as it now stands will require this debt limitation of \$210,000,000,000.

Mr. BELL. That is right, Mr. Cooper.

The CHAIRMAN. If taxes should be increased, and something like forced savings provided for by law, thereby assuring a larger flow of money into the Treasury than under the present law, then would it still take \$210,000,000,000 of Government obligations to be outstanding to take care of the financial situation until 1944?

Mr. BELL. Any additional taxes which Congress levies, with the collections coming into the Treasury prior to June 30, 1944, would reduce the estimated debt of 210 billion dollars, but any enforced savings you might provide would, of course, be within the debt limitation, because that would be a debt. We would have to have authority to issue those securities.

The CHAIRMAN. Enforced savings would have to be taken care of by the debt limit?

Mr. BELL. Yes, sir.

Mr. KNUTSON. Mr. Bell, what is the total assessed valuation of the United States, including everything, homes, farms, equipment, and so forth?

Mr. BELL. Dr. Haas tells me that there is no recent estimate of national wealth. The latest one, I think, is that of the National Resources Planning Board, which estimated that the national wealth was in the neighborhood of \$365,000,000,000 in 1935.

Mr. KNUTSON. So we will owe next year about 60 cents on the dollar.

Mr. BELL. Mathematically, you get that result.

Mr. KNUTSON. That is exclusive of personal debts, State debts, and debts of political subdivisions.

How many bonds are outstanding at the present time?

Mr. BELL. You mean the total debt?

Mr. KNUTSON. Government bonds.

Mr. BELL. Do you mean the total debt?

Mr. KNUTSON. Yes.

Mr. BELL. The total debt is the amount I gave you, as of December 31, 1942, \$108,000,000,000. As of January 27, 1943, it was \$110,000,000,000.

Mr. KNUTSON. I understood you to say the debt was \$108,000,000,000 on December 31.

Mr. BELL. That is right, on December 31, 1942.

Mr. KNUTSON. What percentage of those bonds are held by banks and fiduciaries?

Mr. BELL. On June 30, 1942, the banks held about \$30,000,000,000 of Government securities, which includes \$3,000,000,000 of guaranteed obligations.

Mr. KNUTSON. That is the figure as of June 30, 1942?

Mr. BELL. Yes, sir.

Mr. KNUTSON. I notice that invariably bank statements give about one-third to one-half of their assets as being in Federal bonds.

Mr. BELL. The percentage of Government securities, as compared with total loans and investments of the banks, as of June 30, 1942, was about 47 percent.

Mr. KNUTSON. You recall that back in 1920 the price of Liberty Loan bonds dropped as low as 82.

Mr. BELL. Yes, sir; I recall that.

Mr. KNUTSON. If there were a similar drop on these bonds it would wipe out all or practically all of the capital structure of every bank in America, would it not?

Mr. BELL. That would depend.

Mr. KNUTSON. Suppose that somebody started a malicious rumor that the banks were in a very precarious condition, and everybody rushed to the banks to withdraw their deposits; the banks would have to sell their bonds, would they not, or would they not be permitted to do that, or to have what would amount to a moratorium?

Mr. BELL. I think some rather drastic action would have to be taken.

Mr. KNUTSON. I am thinking about the situation in 1932.

Mr. BELL. It was necessary to take drastic action then, and I assume that the Government would immediately take some action to take care of the situation.

Mr. KNUTSON. What steps is the administration taking to curtail expenditures?

Mr. BELL. I think they have taken several steps in the last year. I believe the Budget document sets forth what has been done. The nonwar expenditures of the Government, exclusive of the interest on the public debt, have been reduced from $6\frac{1}{2}$ billion dollars for 1939, to about \$4,000,000,000 for 1944.

Mr. KNUTSON. That is exclusive of interest?

Mr. BELL. Yes; exclusive of interest on the public debt. Of course, the amount of interest is going up, because we are borrowing more money for war purposes. Now it is rather difficult to tell which departments of the Government are not engaged in war work. Practically all of them are in the war effort.

Mr. KNUTSON. Are there any agencies as to which the administration is seriously going into the question of curtailing governmental expenditures, needless expenditures, reducing them, or cutting them out?

Mr. BELL. The Bureau of the Budget is making constant study of that. The Byrd committee is also making constant study of it and is holding frequent hearings with the executive departments. Some success, I think, has been gained in the process.

Mr. KNUTSON. You would not know anything about the military plans of the Government, of course. But it seems to me we are spending stupendous sums of money.

Mr. COOPER. Mr. Bell, I would like, if I may, to get down to the bill itself for a moment. This discussion is all interesting, and of course we want this information.

I think you have given us a rather clear explanation as to the necessity for the provisions of the bill down to section 3.

I would like, if you will, to take up section 3, beginning in line 9 on page 1, and continue on through the bill.

Paragraph (h), on page 2, provides that "The Secretary of the Treasury, under such regulations as he may prescribe, may authorize

or permit payments in connection with the redemption of savings bonds to be made by incorporated banks and trust companies."

What is the necessity for that provision?

Mr. BELL. As the amount of outstanding savings bonds increases, our current redemptions likewise increase. We have 55 million dollars in redemptions in December. Redemptions are bound to increase as we increase the amount outstanding, and as we reach the maturity dates of the bonds.

Bonds are redeemed at the present time only at the Treasury of the United States and at the Federal Reserve banks. These agencies are finding themselves at the present time in some difficulty. They have had to expand their facilities materially to keep redemptions current, and it may be necessary shortly to find some additional facilities. We would like to have authority to permit incorporated banks and trust companies to make payments in connection with the redemption of the bonds. That would facilitate the redemptions and relieve and avoid congestion at the Treasury and the Federal Reserve banks.

Mr. COOPER. Paragraph (h) is, in your opinion, necessary to help to facilitate the redemption of maturing bonds?

Mr. BELL. Yes.

Mr. COOPER. Has that kind of a provision been included in any of the other acts we have passed to increase the public debt limit?

Mr. BELL. No, sir; this is the first time.

Mr. COOPER. That is a situation that has developed, and you think it is necessary to facilitate the payment of maturing bonds?

Mr. BELL. Yes, I do. I think we could handle the present volume of redemptions, but the outstanding amount is increasing at the rate of about \$1,000,000,000 a month, and as the amount outstanding increases the redemptions are going to increase, and some place along the line we are going to need additional redemption facilities.

Mr. COOPER. Let us pass now to paragraph (i), beginning on line 5, page 2.

Has that type of provision been included in previous bills providing for increasing the debt limit?

Mr. BELL. There was a provision in one of the previous two bills authorizing us to use the Government Losses in Shipment Fund to reimburse the Post Office for losses of this character. That is already in the act, I believe.

This Government Losses in Shipment Fund was set up by the Congress in 1937 as a sort of self-insurance fund. We were paying out thousands of dollars every year in insurance premiums and losses were very small.

Congress authorized us to set up this fund to cover losses in shipments of securities and other valuables throughout the country, as well as losses incurred in shipments by other agencies and Government corporations.

Congress has appropriated to that fund \$693,000 in the 5-year period, and we have paid total losses of only \$7,500. We would have paid \$3,800,000 in premiums on the securities and other valuables insured under that fund. That is the way in which the fund, in that 5-year period, has more than proven its worth.

We want authority to use the Government Losses in Shipment Fund to pay for any losses in savings bonds that might result in the redemp-

tion of such securities. At the present time we have 60,000 stop-payment orders against savings bonds. That number of bonds has been lost, destroyed, or burned up. Also, there are many bonds involved in excess holdings. If there is an excess holding we put a stop order against the particular bond that has caused the excess holding.

At the present time we have in the Bureau of Public Debt of the Treasury, which is the final checking place, and also in the Federal Reserve banks and in the office of the Treasurer of the United States, lists of these 60,000 stop orders. Every time a savings bond comes in for redemption we have to check that list before it is paid, because if it is on the list, we must hold up payment. It costs a large sum of money to do this checking and we could not do it if we authorize banks to cash bonds. We think it is much cheaper administratively to allow a bond to be cashed without delay and then go through to its final destination and there be checked. If we then find that it has been paid erroneously, we would return it through the paying channels and undertake to recover the erroneous payment. In December we redeemed 1,600,000 bonds. Included in these bonds were only 114—and most of them were \$25 bonds—against which stop orders had been placed. All of these were adjusted without loss, because they were checked before payment. We would have saved money by paying the entire number of bonds before we checked them, rather than incurring the large administrative expense, in checking at every redemption agent. I think this is an economical measure and also it will facilitate redemption.

Mr. COOPER. I assume that all of us know that the volume of that work will increase.

Mr. BELL. Yes, sir.

Mr. COOPER. As people buy these savings bonds they get lost or misplaced, and that is where you issue the stop order.

Mr. BELL. And then sometimes issue duplicates.

Mr. COOPER. I am sure all of us have had experience at home with people who have lost bonds and want to know what to do about it.

The more of these savings bonds that are sold the larger that volume of work will get.

Mr. BELL. Also, we are selling them to types of people who in many cases are not used to holding securities.

Mr. COOPER. And many of them do not have safe-deposit boxes in banks, or safe places in which to keep them, and they take care of them the best way they can.

Mr. BELL. Yes.

Mr. COOPER. With respect to the Government Losses in Shipment Act, I remember when we passed that act, which was recommended by the Treasury Department.

Mr. BELL. That is right.

Mr. COOPER. In other words, up to that time we had been paying out considerable sums of money for insurance premiums.

Mr. BELL. That is right.

Mr. COOPER. It was thought that the Government could carry its own insurance through this method and save money by doing it.

Mr. BELL. That has been proven.

Mr. COOPER. During this 5-year period you would have paid out over \$3,000,000 in insurance premiums, whereas, under the operation

of this act which we passed, you have only paid out about less than half a million dollars.

Mr. BELL. We have only paid out \$7,500 in actual losses. Congress has appropriated to the fund \$693,000, and the fund still has \$685,000, with which to meet any further losses.

Mr. COOPER. You have only paid out a little over \$7,000, whereas under the old method you would have paid out over \$3,000,000 in premiums.

Mr. BELL. We would have paid out \$3,800,000.

Mr. COOPER. In all other respects paragraph (i) on page 2, other than the explanation you have given, reaffirms the provisions of previous bills with respect to the increase of the debt limit, so far as the Post Office Department, and so forth, are concerned?

Mr. BELL. Section 2 is identical with the previous amendment. Subsection (h), under section 3, is new authority, to use incorporated banks and trust companies, subsection (i) is merely an amendment to existing law to give us authority to use that fund to pay any losses in redeeming savings bonds that might occur.

Mr. COOPER. And is along the line that you have prescribed in the past?

Mr. BELL. Yes, sir.

Mr. COOPER. I thank you.

Mr. ROBERTSON. Mr. Bell, have not we on some previous occasion merged the indirect obligations of the Government into the primary obligations?

Mr. BELL. They have not been merged as far as the debt limitation is concerned, Mr. Robertson. We are not issuing any more guaranteed obligations to the public; they all now are being financed by the Treasury and automatically come in under the debt limitation. Any guaranteed obligations that mature, we pay off from Treasury funds, and then loan the money from the Treasury directly to the agency having authority to issue guaranteed obligations. That throws it automatically under the debt limitation.

Mr. ROBERTSON. What is the present amount outstanding of indirect obligations for which the Government is ultimately liable?

Mr. BELL. As of December 31, there was outstanding in the hands of the public \$4,283,000,000, and the Treasury held \$5,201,000,000—or a total of nearly \$9,500,000,000.

Mr. ROBERTSON. Well, what the Treasury holds is included in the debt?

Mr. BELL. Yes, sir.

Mr. ROBERTSON. The other \$4,000,000,000 will ultimately be paid by the Treasury?

Mr. BELL. Yes, and will be in the debt.

Mr. ROBERTSON. Will the Treasury have collateral on which to collect against that payment?

Mr. BELL. The Government has the assets of the corporations.

Mr. ROBERTSON. And do you anticipate any substantial loss on the remaining \$4,000,000,000?

Mr. BELL. We cannot tell you that, Mr. Robertson. We think the situation in the last year has materially improved with respect to some of those corporations. Particularly that is true of the Home Owners' Loan Corporation and the Federal Farm Mortgage Corporation.

Mr. ROBERTSON. I understood both of those were getting in a pretty sound condition?

Mr. BELL. Yes, sir. They have had substantial repayments on their outstanding loans.

Mr. ROBERTSON. Of course, all of us were interested in the information brought out by the gentleman from Minnesota [Mr. Knutson] concerning the percentage of the national wealth that the debt limit of \$210,000,000,000 would represent. At the same time, I imagine most people at the moment would be more interested in what percentage of the national wealth, to say nothing of national freedom, would be represented by a German and Japanese victory. Can you give us the percentage figures on that?

Mr. BELL. I am afraid I cannot.

Mr. ROBERTSON. You think every man can draw his own conclusion?

Mr. BELL. Yes, but I believe the conclusion would be unanimous.

Mr. ROBERTSON. That is all.

Mr. REED. Mr. Bell, people are purchasing these bonds throughout the country. What percentage of them are turning those bonds in and, if so, how long do they hold them ordinarily? I was thinking back to the first World War when that was going on.

Mr. BELL. I have some figures on that, Mr. Reed. We started issuing savings bonds in March 1935, and, during that calendar year, we issued what we called series A bonds with a maturity value of \$272,000,000. Up to the end of the fiscal year 1942, which is the latest figures we have available, there were \$76,000,000 of those bonds redeemed, leaving outstanding \$196,000,000. About 27 percent of the original bonds issued have been redeemed, it is seen, in almost 7 years, which is a very good percentage, we feel.

Now, going down the line, they have redeemed less in terms of percentage of course, of the later series; but, of the 1936 series, we issued \$493,000,000 and \$129,000,000 have been redeemed, leaving outstanding \$364,000,000.

Mr. REED. And those bonds that are redeemed—are they redeemed by the small bondholder or the large bondholder?

Mr. BELL. They are redeemed now, at this time, in a good many places by the small bondholder. The redemptions we get are predominantly in the \$25 denomination class, and many times we find those bonds are being held just the required 60 days. But I do not think it has been in any volume yet that we need worry about. It is something we are watching, however.

Mr. REED. One other thing: What percentage of the bonds outstanding now are held by insurance companies? You gave us the banks, but you did not give us the insurance companies.

Mr. BELL. On December 31, 1942, insurance companies held about \$11,000,000,000 of the total outstanding debt—approximately 10 percent, including guaranteed issues.

Mr. REED. Would you care to give some idea of what you consider to be a safe amount for them to carry?

Mr. BELL. No, I cannot, Mr. Reed. I do not think it would be unsound for them to hold all of their assets in Government securities.

Mr. REED. They would be as safe as anything?

Mr. BELL. Surely—safer, I think.

Mr. REED. Do you contemplate that many of those inflationary powers now held by the President may have to be brought into use to meet the situation? How do you view that? I have a feeling, somehow, that all of these inflationary powers were not particularly helpful to the Government at this time; that they might be a retarding influence in the sale of bonds as time went on. What is your feeling about that?

Mr. BELL. I do not think the ones that have been used are a retarding influence. I think many of them have been very beneficial, so far as the inflationary trend is concerned. Price control and rationing, for instance. We believe it would be a good thing to go further in the rationing field. Rationing certainly ought to help sell bonds, because it makes that much more money available for investment in securities.

Mr. REED. What is the present amount of currency outstanding?

Mr. BELL. About \$15,000,000,000.

Mr. REED. And what was it prior to our entering the war?

Mr. BELL. On December 31, 1941, which was just a month after we entered the war, it was \$11,160,000,000.

Mr. REED. Do you attribute that expansion of the currency to the need for more money, because of the war effort, or do you attribute some of it to the fact of hoarding it, particularly the metal currency?

Mr. BELL. I attribute a great deal of it to the increase in business.

Mr. REED. Have you had any evidence that people are hoarding the metal part of the currency?

Mr. BELL. I do not believe so, at least to any extent. There probably is some hoarding of the currency, but I think you would be interested in seeing a chart showing that currency is keeping trend with bank deposits. This first line [indicating] is deposits in banks, and the other line is outstanding currency. You can see that they run right side by side.

Mr. REED. Will you put that in the record?

Mr. BELL. I shall be glad to.

The CHAIRMAN. Without objection, that will go in the record.

(The chart referred to appears on p. 10.)

Mr. JENKINS. Mr. Bell, developing further what Mr. Reed asked about on redemptions: You gave us the redemption of the bonds issued in 1936. What about these last bonds issued last year? Can you give us the rate of redemption on down the line?

Mr. BELL. I have here the first 5 months of the last calendar year on series E bonds, which is the bond we are now selling. Up to that date, we had sold \$1,961,000,000 maturity value of those bonds.

Mr. JENKINS. That is series E?

Mr. BELL. That is series E, and the one that is now on sale.

Mr. JENKINS. That is what you call the baby bonds?

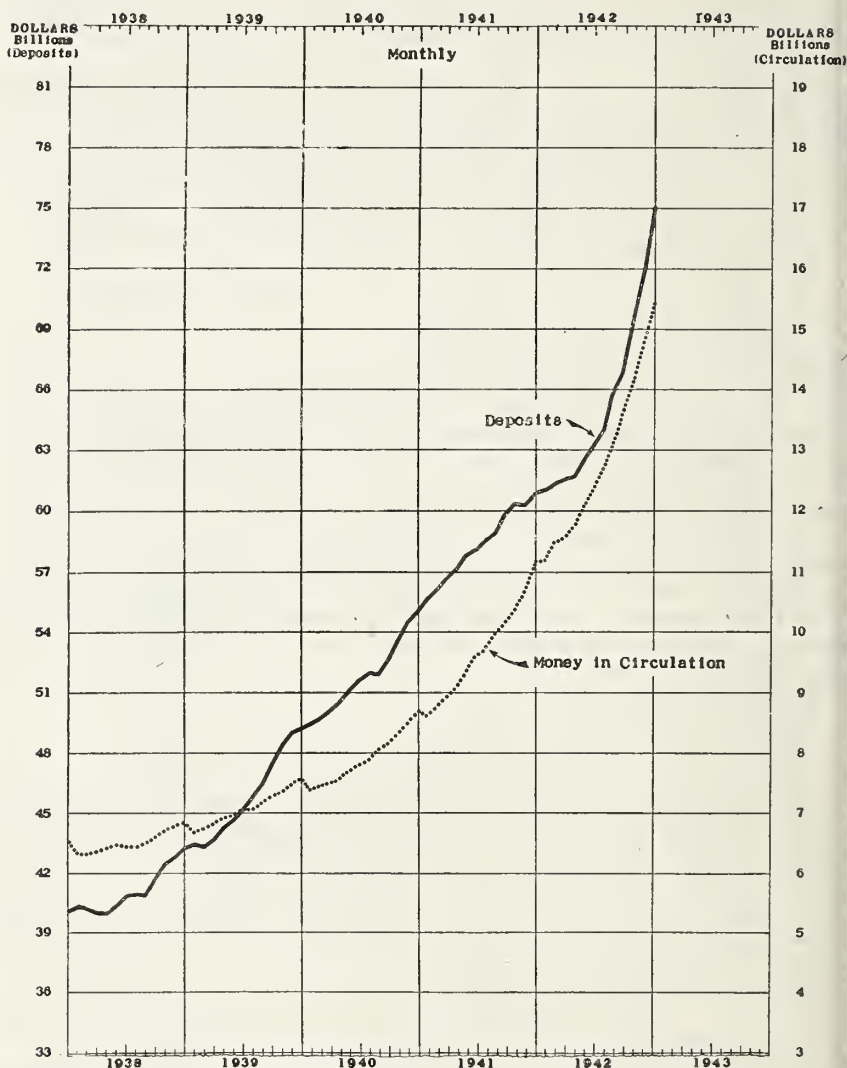
Mr. BELL. Yes, sir; it is one of the series of so-called baby bonds. We had redeemed up to the end of that period \$16,600,000.

Mr. JENKINS. That would be less than 1 percent?

Mr. BELL. That is less than 1 percent. I might give you some total figures. Since these bonds went on sale, we have sold to the end

(The chart above referred to is as follows:)

DEPOSITS OF MEMBER BANKS AND MONEY
IN CIRCULATION



of December, 1942 a total of \$7,133,000,000 of series E bonds and there have been redeemed, up to that date, \$220,000,000, or less than 3 percent.

Mr. JENKINS. I want to ask, Mr. Chairman, that all of these figures be put in the record.

Mr. BELL. I will be glad to prepare a table for you.

(The tables referred to are as follows:)

United States savings bonds cash receipts—Issue price

	Series E	Series F	Series G	Total
May 1941.....	\$100,581,015.62	\$37,816,812.00	\$211,420,300	\$349,818,127.62
June.....	102,517,128.95	28,876,280.00	183,133,500	314,527,308.95
July.....	145,274,371.34	27,358,682.00	164,488,500	342,131,553.34
August.....	117,603,368.45	20,317,816.00	127,681,900	265,606,084.45
September.....	105,240,822.58	18,069,364.00	108,287,300	232,327,486.58
October.....	122,884,415.29	22,963,162.00	121,865,600	270,713,177.29
November.....	109,474,827.65	18,977,596.00	105,034,700	233,487,123.65
December.....	341,084,538.21	33,272,156.00	154,242,000	528,598,694.21
January, 1942.....	667,411,363.33	77,558,804.50	315,576,180	1,060,546,352.83
February.....	397,989,102.66	51,820,442.50	253,340,800	703,200,345.16
March.....	337,548,857.00	41,069,593.00	179,223,420	557,891,870.00
April.....	326,659,809.71	40,003,216.00	163,838,900	530,501,925.71
May.....	421,330,987.06	42,465,440.00	170,060,200	634,356,627.06
June.....	433,223,216.53	41,040,548.00	159,681,200	633,944,964.53
July.....	508,117,566.45	73,690,954.00	319,052,600	900,861,120.45
August.....	453,966,854.82	52,268,198.00	191,019,500	697,254,552.82
September.....	509,855,088.60	60,802,507.00	184,025,400	754,683,995.60
October.....	664,816,572.46	60,564,561.50	209,587,000	934,968,133.96
November.....	541,573,015.68	44,765,564.50	148,210,900	734,549,420.18
December.....	725,576,608.55	65,993,755.50	222,397,900	1,014,168,262.05
Total.....	7,133,509,530.94	859,725,395.50	3,760,932,200	11,694,167,126.44
Maturity value.....	9,511,400,000.00	1,161,800,000.00	3,701,000,000	14,374,200,000.00

Series A-D, Mar. 1, 1935, to Apr. 30, 1942

Cash receipts.....	\$3,948,682,591.10
Maturity value.....	5,264,900,000.00

Total A-G

Cash receipts.....	\$15,642,849,717.54
Maturity value.....	19,639,100,000.00

United States savings bonds, cash redemptions—Current redemption values

	Series A-D	Series E	Series F	Series G	Total
March, 1935-April, 1941.....	\$430,099,715.34				\$430,099,715.34
May, 1941.....	13,966,760.75				13,966,760.75
June.....	14,225,029.75	\$22,481.25	\$18,988.00	\$542.100	14,838,599.00
July.....	17,356,235.75	498,562.50	52,910.00	106,200	18,013,993.25
August.....	11,855,945.75	986,006.25		93,200	12,938,122.00
September.....	12,614,110.50	1,678,050.00	20,498.00	67,800	14,379,458.50
October.....	11,330,761.50	2,283,018.75		95,190	13,703,880.25
November.....	9,034,817.50	2,549,887.50	106,634.00	466,300	12,757,639.00
December.....	12,285,014.25	3,080,212.50	157,250.00	742,500	16,264,978.75
January, 1942.....	11,062,017.50	2,895,543.75	289,458.00	1,161,300	15,498,349.25
February.....	9,624,638.75	4,545,018.75	397,528.00	1,207,800	15,774,985.50
March.....	10,705,917.50	9,237,581.25	389,850.50	1,669,600	22,002,949.25
April.....	9,375,474.75	9,911,100.00	390,054.00	1,589,300	21,265,928.75
May.....	8,935,868.00	10,391,058.54	464,793.40	2,303,000	22,095,779.94
June.....	7,923,652.25	11,953,797.18	591,302.60	2,307,140	22,775,832.03
July.....	7,640,806.50	14,606,110.08	690,896.80	2,523,000	25,460,813.38
August.....	9,028,730.75	19,212,160.64	564,745.10	3,370,300	32,175,936.49
September.....	8,355,949.00	22,530,194.98	645,722.15	2,756,700	34,288,566.13
October.....	7,934,678.50	28,102,213.27	904,858.15	3,182,900	40,124,649.92
November.....	6,318,038.00	32,042,776.19	742,714.40	4,057,600	43,161,128.59
December.....	6,732,809.25	43,780,277.79	922,617.62	3,216,409	54,652,104.66
Total.....	637,007,971.84	220,306,051.17	7,380,850.72	31,461,300	896,156,173.73

Mr. JENKINS. I think it is important to have those figures, because back in my section one day a man told me he was surprised at the number of redemptions coming in. I made inquiry at other places and my inquiry always resulted in finding that the redemptions had been very complimentary to the people.

Mr. BELL. I think they have been very small in dollar volume. I think probably there has been a large number of pieces because the redemptions are largely in \$25 denomination. But I think you will find it varies in different sections. For instance, you may have a rumor started in a certain area about the Government going to freeze savings accounts, or confiscate them, and then there are a number of savings bonds redeemed until that rumor dies down.

Mr. JENKINS. Let me ask you this: You say your figures show the most of those redemptions have been in the \$25 class: Do they indicate they have been coming in from the real owner, or that they have been collected from some concern?

Mr. BELL. They have to come in from the real owners; nobody else can cash them.

Mr. JENKINS. Let me see if there is any foundation for this statement: I have heard it said there are a lot of bonds circulating that have been taken in as payment for debts and obligations that have been made by the Government; in other words, a lot of the bonds are finding their way into some of the Government agencies, and then they are used by the Government to pay for the services rendered, or supplies and materials furnished to them.

Mr. BELL. That is not possible with a savings bond, unless there is some kind of an arrangement between the owner and the person to whom the debt is owed. We have found one or two instances where the owner of a savings bond will sign the application to redeem then put on it an address of a loan shark to which check in payment should be mailed. The check, of course, would be drawn to the owner and would require his endorsement, but it would be sent to an address where there may be a loan shark or some other person to whom the owner is indebted. We have broken that up wherever we have found it, and there has not been enough of it to amount to anything.

As to Government agencies, none of them could take savings bonds. A few of them do have regulations that permit them to take Government bonds, generally for a debt that the individual owes to the United States Government. I think that is true of the R. F. C. and I think it is true of the Home Owners' Loan Corporation.

Mr. JENKINS. I think probably that is the basis of the information I had; but, just to make it clear to you, my information was that certain blocs of people were furnishing material to the Government and they had been requested to take some Government obligations that had been sent in from some Government agency. Of course, they were glad to take them and complete the transaction. I am not familiar with what the nature of the bonds was, or the obligations.

Mr. BELL. I do not know of any such cases.

Mr. JENKINS. Let me ask you this: In contemplating the receipts for the next year, 1943 and 1944, what did you estimate would be produced from taxation?

Mr. BELL. The Budget estimates net receipts from all sources—customs, internal revenue, and so forth—for the fiscal year 1943, which ends this coming June, at \$23,000,000,000 and, for the next fiscal year, 1944, at \$33,000,000,000.

Mr. JENKINS. The reason I ask that question is this: Have you contemplated this Congress will raise the additional taxes of \$16,000,000,000 as requested by the President?

Mr. BELL. Not in those figures; no, sir. That \$33,000,000,000 is based on the present law.

Mr. JENKINS. Just one thing further. I was surprised at your testimony with reference to insurance. I thought the Government, generally speaking, did not carry any insurance on anything, at any time, anywhere. Are there any other activities of the Government they have insured, outside, maybe, of shipping?

Mr. BELL. I do not know of any, Mr. Jenkins. This insurance started a great many years ago and was quite necessary to protect the Treasury in shipping large quantities of currency and bonds. Many years ago, Congress authorized us to pay premiums for insurance on the shipment of currency and later authorized us to set up a sort of self-insurance fund during the last war for the public-debt issues. And when the Losses in Shipment Act was passed in 1937, the funds were consolidated and now we insure even the governmental corporate shipments. Before that, they paid for insurance out of their own funds, under their general authority.

Mr. JENKINS. In other words, you have set up an insurance company in the Government to insure certain transactions of the Government?

Mr. BELL. It is not an insurance company; it is a fund that Congress has appropriated, and we charge any losses to that fund.

Mr. JENKINS. In other words, you carry your own insurance?

Mr. BELL. Yes, sir.

The CHAIRMAN. Mr. Bell, along the line of the information brought out by the question of Mr. Knutson, about the financial status of the Treasury and the Government—we all realize that this war must be financed.

Mr. BELL. There is no doubt about it.

The CHAIRMAN. Regardless of the expenditures, the war must be financed and the expenditures of the Government must be taken care of. But, according to the information you give, if I understand it correctly, the estimated total wealth of the United States, including everything, is \$365,000,000,000 and, if we reached the limit of the amount of bonds to be issued under the proposed authorized indebtedness of \$210,000,000,000, that would only leave us \$155,000,000,000 of net assets, that is, assets above liabilities. Putting it in percentage, the \$210,000,000,000 is a little under 60 percent of the \$365,000,000,000.

Now, some of us, who have the legislative responsibility, have been very much alarmed about this situation, and I was wondering with what degree of alarm, if any, the Executive Department views this financial condition or situation of the Treasury, and whether or not there was any constant, concerted effort and cooperation among the various departments of the Government to cut down as far as possible unnecessary Government expenditures and eliminate those employees who were not needed or who were inefficient.

As far as you know, are the different departments of the Government, especially the Treasury Department, which has the primary responsibility of looking after the credit of the Government, issuing bonds and advising as to the taxes necessary to keep the finances of the Government on an even keel, making any effort to reduce expenses? To what extent is there any alarm felt and effort made on

the part of the Treasury and any other department, so far as you know, to scrutinize more carefully the expenditures, and to cut down and eliminate those things that are not necessary in a time of war?

Mr. BELL. The Secretary of the Treasury has made a number of recommendations covering economy in the Government departments and many of them were carried out last year, resulting in the reduction that is called attention to in the Budget document. As I said before, I think the Budget Bureau is constantly studying expenditures in the Government departments not directly concerned with the war; also it is studying the war activities. The Byrd committee, also, is studying the entire Government set-up from an economy standpoint, and I think they have all cooperated to get the reduction made in the nonwar expenditures.

The CHAIRMAN. Please elevate your voice a little.

Mr. BELL. I think there has been a great deal of effort along that line, and some success. Nonwar expenditures have dropped, as I said, from about \$6,500,000,000 to about \$4,000,000,000 estimated for the coming fiscal year, and most of those expenditures in the \$4,000,000,000 are certainly essential if the laws enacted by the Congress are to be carried out. The only real effective way to reduce expenditures is for the Congress to eliminate functions which it has authorized.

The CHAIRMAN. To your knowledge, is any survey being made as to whether or not there are more employees in the Treasury Department than are necessary for the efficient conduct of the essential work of the Department, and whether there are employees in the Treasury Department who are not only unnecessary but are inefficient? There is a belief in Congress, among some of us that there are many employees now in the various departments that are not needed and many of whom are not efficient and could not perform any useful service even if they were needed.

It would be much easier on this committee and very much easier for us to satisfy the taxpayers of the country if the taxpayers, with whom we are in daily contact and who are complaining daily about unnecessary expenditures, felt there was some effort being made to reduce unnecessary expenses. They say they do not mind paying taxes, but they do not want to see money wasted and thrown away.

Mr. BELL. We agree with that.

The CHAIRMAN. And if the taxpayers could feel that the departments were making every possible effort, at least every reasonable effort, to cut down and eliminate waste and unnecessary expenditures and to be sure that the employees were performing some useful service and to eliminate inefficient employees, it would make our task much easier.

We cannot keep piling taxes on the taxpayers with the taxpayers believing there is a flagrant waste of money. And I was wondering what cooperation you are getting from various departments of the Government in removing what I think is a just criticism among the taxpayers, if conditions obtain as they believe they do?

Mr. BELL. I cannot speak for other departments, but the Treasury is constantly studying its whole personnel set-up. We have in the Treasury a Budget and Improvement Committee that is constantly going over the appropriation estimates and expenditure figures of the various bureaus and activities of the Department. However,

there is not any doubt that in 70,000 you would find some who are inefficient. You cannot get today the type of employees you need; you have to take what is available. But we are studying it constantly. We also have a Personnel Division that is studying and investigating the matter.

The CHAIRMAN. Right at that point: When you find they are inefficient, do you have any procedure by which you can eliminate them, or do you just hold on to them under civil service until they find a job elsewhere?

Mr. BELL. There is a procedure for eliminating them. I do not think it is a very efficient method, probably; you have to go through so many steps to do it. Many times the job is abolished, or they take other short cuts. No doubt the procedure could be simplified.

The CHAIRMAN. I have been told by people I consider reliable—I will not give their names, because, if I did, they would be fired immediately—that men employed in some of the departments—I do not want to mention them by name, but you can guess—who are not needed and who could not render any service if they were needed, because they are incompetent, just pace up and down the corridors or maybe mail a letter or go after a book, or something, but who really are performing no responsible service for the taxpayers of the country. If that condition obtains, we ought to try to correct it in some way. If it is the fault down there, it ought to be corrected and something ought to be done about it.

Mr. BELL. I do not think there is much of that. I am sure there is none of it in the Treasury. I do not think you are getting today the efficient help you would get in normal times, because of the shortage of manpower; but I think, by and large, taking the number involved, you are getting pretty efficient service out of the rank and file of Government clerks.

The CHAIRMAN. Your judgment, then, is that there is not much that can be done along that line?

Mr. BELL. I do not think the savings would be large.

Mr. KNUTSON. But it would be encouraging, anyway.

The CHAIRMAN. Yes.

Mr. TREADWAY. Mr. Bell, you have spoken a couple of times about the Byrd committee. As I recall it, Senator Byrd estimates that there have been savings as the result of his committee's work of something like \$2,000,000,000.

Mr. BELL. I believe the recommendations, at least the figures he gave out, were based on the savings made by the Bureau of the Budget and the Congress in cutting down and eliminating appropriations, and it was not a question of the departments carrying out the recommendations; it was a question of abolishing functions and reducing appropriations which could not be spent. They had to carry it out, because they did not get the funds. I think it involves both labor and materials.

Mr. TREADWAY. How many other recommendations for savings were made, in addition to those made by the Byrd committee?

Mr. BELL. I really do not know, but I think there was a great deal of overlapping as between the Byrd committee and the other activities, and many of them recommended the same thing.

Mr. TREADWAY. And those recommendations have actually been put into effect, have they?

Mr. BELL. Yes, sir. W. P. A. has been abolished; C. C. C. has been abolished; the National Youth Administration has been substantially reduced. And many of the things that were recommended by the Byrd committee and also in last year's Budget have now been carried into effect.

Mr. TREADWAY. They have been actually carried into effect?

Mr. BELL. Yes, sir.

Mr. TREADWAY. The recommendations of the Byrd committee have been followed by the Government?

Mr. BELL. I think so—either that, or the other way around, I do not know which. I think maybe the Budget would say they took action first. I do not know.

Mr. TREADWAY. Well, actually, the carrying out of the recommendations of the Byrd committee came as a result of congressional action, did it not?

Mr. BELL. I suppose you can say that; yes, sir; because it involved reducing appropriations and abolishing functions.

Mr. TREADWAY. And involved recommendations of the Budget besides?

Mr. BELL. Many of them included recommendations of the Budget; yes, sir.

Mr. TREADWAY. What has been the principal saving in the Budget, following the recommendations of the Byrd committee?

Mr. BELL. In a report by Senator Byrd on July 25, 1942, the total given is \$1,300,000,000, as savings.

Mr. TREADWAY. How much?

Mr. BELL. \$1,300,000,000 up to that time.

Mr. TREADWAY. That was to July.

Mr. BELL. Yes.

Mr. TREADWAY. You have no record of what has transpired since that time.

Mr. BELL. No; I have not.

The CHAIRMAN. Mr. Knutson.

Mr. KNUTSON. While out home last week I saw an item in the newspapers that distressed me. It seems that a newspaperman was interviewing a high Treasury official relative to the dangers of inflation, and this official said that the proper safeguards had been taken so that there would be no inflation during the duration. Whereupon he was asked what the probability or possibility was of inflation following the war, to which he replied it might be desirable to bring on inflation after the war.

Now does that mean that this high Treasury official has in mind the sort of step taken in Germany following the last war when everybody was wiped out, and the slate cleaned, with everybody starting from scratch?

Mr. BELL. Well, I do not know of any such mysterious Treasury official, but I am sure he would not have in mind what Germany went through. I do not know whether anyone in the Treasury Department did make such a statement. I am sure it was not official, but represented only his personal views, if such a statement were made.

Mr. KNUTSON. It does not indicate who he was. I have an idea he is not present today.

Mr. BELL. I would not know who it was.

The CHAIRMAN. Mr. Cooper.

Mr. COOPER. Let me inquire a moment, if I may, about the reduction in expenses. I understand you to say that the expenses of the Government, other than for war purposes and interest on the public debt, would be reduced about one and a half billion dollars under the budget submitted at the beginning of this Congress; is that correct?

Mr. BELL. No.

Mr. COOPER. From about six and a half billion down to something over five.

Mr. BELL. No, that was not in this Budget; that has been over the last 2 or 3 years, which amounts to between two billion three hundred million and—\$2,400,000,000.

Mr. COOPER. What is it for the whole period, Mr. Bell?

Mr. BELL. The first reduction was made in 1940, of \$270,000,000.

In 1941, of \$950,000,000; in 1942, of \$170,000,000; in 1943, it is estimated at \$540,000,000 and in 1944, it is estimated at \$460,000,000; a total of \$2,400,000,000.

Mr. COOPER. In other words, there has been about a two-and-a-half-billion dollar reduction in the Budget over about the last 3 or 4 years?

Mr. BELL. That is right.

Mr. COOPER. How much reduction is included in the last Budget?

Mr. BELL. In 1944 the estimated expenditures show a reduction over the 1943 estimated expenditures of \$460,000,000.

Mr. COOPER. \$460,000,000.

Mr. BELL. That is correct; that is nonwar expenditures.

Mr. COOPER. In other words then, if the Congress follows the Budget's recommendations, submitted at the beginning of this Congress, there will be saving of close to \$500,000,000.

Mr. BELL. It is better than 10 percent.

Mr. COOPER. That would bring the Budget down to about \$4,000,000,000 for nonwar expenditures?

Mr. BELL. That is right; exclusive of interest on the public debt.

Mr. COOPER. Exclusive of interest on the public debt.

Mr. BELL. Yes.

Mr. COOPER. About when was the Federal Budget down to that figure of around \$4,000,000,000, exclusive of interest on the public debt, before that time?

Mr. BELL. I will be glad to furnish the figures for the record, but as I recall it was the period of 1928 and 1929, or 1930; somewhere around there.

The total expenditures of the Federal Government in 1932 were \$4,535,000,000; in 1933, \$3,863,000,000; and those two figures include interest, as I recall of around \$600,000,000 to \$700,000,000, making the comparable expenditures of \$3,900,000,000, approximately for 1932, and about \$3,200,000,000 for 1933.

Mr. COOPER. In other words, we now have the Federal budget for nonwar expenditures, and not including interest on the public debt, back to where it was about 10 years ago.

Mr. BELL. I am afraid those figures I just gave you, Mr. Cooper, are not quite comparable, because the amounts that I have given you included the normal expenditures for the Army and the Navy in that period, which amounted to 600 or 700 million dollars. That ought to be eliminated in order to make it comparable. If you like, I will be glad to make up such a statement.

Mr. COOPER. I would like to have that information.

(The statement requested follows:)

Government expenditures, excluding national defense, interest, and statutory debt retirement, for the fiscal years 1932, 1933, and 1934, and budget estimates for 1944¹

Fiscal year:	Amount
1932 -----	\$3, 234, 000, 000
1933 -----	2, 523, 000, 000
1934 -----	4, 714, 000, 000
1944 (estimate) -----	4, 124, 000, 000

¹ Comparable to nonwar expenditures shown on page XIV of the 1944 Budget message.

The CHAIRMAN. Mr. Treadway.

Mr. TREADWAY. Can you give us some estimate of the number of employees in your Bureau of the Budget?

Mr. BELL. In my Bureau of the Budget?

Mr. TREADWAY. Well, in our Bureau of the Budget.

Mr. COOPER. It used to be his.

Mr. BELL. I cannot give them to you offhand, but I will be glad to supply that for the record.

Mr. TREADWAY. I think it would be interesting to know in that Department how many employees there are. You referred a few minutes ago to the number of employees who may not be as efficient, but nothing was said about how many employees there were.

Mr. BELL. I was talking about the employees in the Treasury Department, Mr. Treadway; not in the Bureau of the Budget.

Mr. TREADWAY. Yes.

Mr. SULLIVAN. There are about 69,000 employees in the Treasury Department.

Mr. TREADWAY. That is separate from the Budget?

Mr. BELL. Yes.

Mr. TREADWAY. The Budget employees are not included in that number.

Mr. BELL. The Budget Bureau is not included in that figure. The Budget Bureau is not a part of the Treasury Department.

Mr. TREADWAY. If you can provide that for us I will appreciate it.

Mr. BELL. I will be glad to supply it.

(The information requested follows:)

(There were 502 employees on the staff of the Bureau of the Budget on January 25, 1943.)

Mr. TREADWAY. May I ask Mr. Sullivan to tell us whether that figure of 69,000 represents employees here in Washington, or is that all over the country?

Mr. SULLIVAN. There are about 23,000 in Washington.

Mr. TREADWAY. And how many in the field?

Mr. SULLIVAN. About 23,000 in Washington, and about 46,000 in the field.

The CHAIRMAN. Mr. Dingell.

Mr. DINGELL. I want to just ask you one or two questions with regard to a matter that I have discussed here time and again, that is the issuance by the Treasury of non-interest-bearing bonds. I was told that was an interesting suggestion and might be thoroughly explored. Has the Treasury ever undertaken to issue non-interest-bearing bonds to be sold to the public?

Mr. BELL. No, we have not, Mr. Dingell. We have given some thought to it, but we do not feel that there is very much money to come from that kind of security. In the first place the type of people who would go into that would be those who do it for patriotic reasons, possibly those who could least afford it, and those who could afford to do it would put their money into the interest-bearing securities that are issued.

Mr. DINGELL. I grant this phase exists, but there are an awful lot of people in this country who are patriotic enough to do that, and I feel that a certain number of people of this country would be glad to lend to Uncle Sam some of their money for a while, without interest, to be repaid to them, and would be glad just to get back the principal; and it seems to me that there are a great many who could be encouraged to do it; a great many who would buy a certain amount of non-interest-bearing bonds, perhaps in ratio of one to three of the interest-bearing bonds. And unless the situation were surveyed of course we do not know how many would be willing to avail themselves of that privilege. And after all what difference does it make if I get my \$100 back—if I get \$102, with the interest, and I pay out a tax of \$2. It seems to me to be an interesting suggestion and I think many people would look at it as a practical proposition.

Mr. BELL. There are securities now available for anyone who wants to lend his money to the Government without interest. They may buy War Savings stamps, which do not bear interest; and they can also buy series A tax notes, which do not provide interest unless they are used for tax purposes. They can buy them and when they do not turn them in for taxes they would have a non-interest-bearing security; and we have told a great many people that in response to inquiries.

Mr. DINGELL. They are called tax certificates.

Mr. BELL. They are called tax saving notes.

Mr. DINGELL. Tax saving notes; I know about those. Are people buying them very much?

Mr. BELL. To some extent.

Mr. DINGELL. And when they do buy, it is only to apply against their tax next March.

Mr. BELL. Largely; yes. There are about \$276,000,000 of them outstanding. We have not sold a large dollar volume. The series C notes have gone very well; they are for the larger taxpayers.

Mr. DINGELL. I wish you would keep an eye on that idea. I think there is something in it, and if there is, I think if we can save ten or fifty million dollars we ought to go after it.

Mr. BELL. We shall be glad to watch it.

Mr. DINGELL. We are going to have to face very tough things before this war is over, and ultimately we may be paying, as I under-

stand, as high as \$5,000,000,000 annually on debt in the way of interest alone, and anything we can trim off that figure will be of great help.

Mr. BELL. I agree with you.

Mr. DINGELL. I am not pressing it at this moment, but I am interested in it, and I raise the question because I want you to keep your eye on it.

Mr. BELL. We shall be glad to.

The CHAIRMAN. Mr. Disney.

Mr. DISNEY. Mr. Bell, recently Mr. Sullivan furnished me with a very interesting tabulation on the collection of taxes that I do not happen to have before me. I think it would be interesting to have it in the record. You remember it, Mr. Sullivan.

Mr. SULLIVAN. Yes, I do.

Mr. DISNEY. To me it was remarkable as showing the efficient manner in which the Treasury has carried on its collections for a long period of years.

Mr. SULLIVAN. Those were figures of the defaults in proportion to the total individual income-tax liabilities.

Mr. DISNEY. It was less than 1 percent over a long period.

Mr. SULLIVAN. For the last fiscal year it was three-tenths of 1 percent.

Mr. DISNEY. Mr. Chairman, I would like to have permission to put that statement in the record.

Mr. SULLIVAN. I will be glad to furnish it.

Mr. DISNEY. Do you have a copy with you?

Mr. SULLIVAN. I am sorry; I do not.

Mr. DISNEY. I will offer it for the record.

(The statement referred to follows:)

Number of taxpayers, income tax collected from individuals, number of uncollectible individual income tax items, and amount for the fiscal years 1921 through 1942

Fiscal year ending June 30	Number of taxable individual income-tax returns	Income tax collected from individuals	Individual income-tax assessments abated as uncollectible			
			Number of items	Percent of total collections	Amount	Percent of total collections
1921.....	5, 873, 622	\$1, 284, 798, 526	10, 220	0.2	\$3, 168, 303	0.2
1922.....	3, 701, 970	1, 056, 398, 000	13, 395	.4	4, 152, 336	.4
1923.....	3, 729, 574	885, 116, 000	42, 504	1.1	9, 649, 810	1.1
1924.....	4, 305, 422	762, 120, 000	32, 709	.8	6, 045, 492	.8
1925.....	4, 513, 906	845, 426, 352	33, 986	.8	9, 143, 727	1.1
1926.....	2, 557, 681	879, 124, 407	60, 339	2.4	24, 229, 563	2.8
1927.....	2, 485, 586	911, 939, 911	31, 953	1.3	9, 663, 872	1.1
1928.....	2, 455, 411	882, 727, 114	22, 885	.9	23, 658, 666	2.7
1929.....	2, 489, 075	1, 095, 541, 172	12, 552	.5	23, 506, 491	2.1
1930.....	2, 515, 623	1, 146, 844, 764	7, 137	.3	20, 476, 846	1.8
1931.....	2, 077, 862	833, 647, 798	6, 267	.3	11, 195, 394	1.3
1932.....	1, 575, 271	427, 190, 582	7, 769	.5	20, 204, 213	4.7
1933.....	1, 946, 248	352, 573, 620	8, 090	.4	14, 042, 282	4.0
1934.....	1, 781, 809	419, 509, 488	11, 696	.7	13, 942, 533	3.3
1935.....	1, 836, 165	527, 112, 506	11, 093	.6	14, 642, 710	2.8
1936.....	2, 160, 330	674, 416, 074	7, 371	.3	6, 994, 447	1.0
1937.....	2, 932, 520	1, 091, 740, 746	11, 843	.4	12, 496, 802	1.1
1938.....	3, 397, 552	1, 286, 311, 882	7, 841	.2	9, 491, 776	.7
1939.....	3, 093, 235	1, 028, 833, 796	13, 554	.4	12, 831, 904	1.2
1940.....	3, 585, 482	982, 017, 376	20, 194	.5	11, 552, 021	1.2
1941.....	7, 576, 642	1, 417, 655, 127	10, 075	.1	7, 097, 515	.5
1942.....	14, 608, 267	3, 262, 800, 390	12, 050	.1	9, 837, 622	.3
Total for 22-year period.....	81, 599, 253	22, 053, 845, 361	395, 573	.5	278, 024, 325	1.3

The CHAIRMAN. Mr. Mills.

Mr. MILLS. Mr. Bell, Mr. Dingell referred to the possibility of saving interest charges on a debt of say \$210,000,000,000, which would possibly be \$5,000,000,000, or maybe a larger amount.

In your estimation what do you contemplate the yearly interest charge would be on a debt of \$210,000,000,000.

Mr. BELL. The average rate at the present time is about 2.06 percent; and the estimate in the Budget for interest expenditures in 1944 is \$3,000,000,000. If this approximate rate of 2 percent is maintained to the end of the fiscal year 1944 and we have a debt of \$210,000,000,000 the annual amount of interest on that would be approximately \$4,000,000,000.

Mr. MILLS. One other question, Mr. Bell. When you referred to the indirect obligations, in answer to Mr. Robertson's question a few moments ago, you mentioned the total of about \$9,000,000,000; or approximately five billions in the Treasury and four billion in the hands of the public. In order to keep the record straight, you did not include in that \$9,000,000,000 the Federal Reserve notes that are outstanding?

Mr. BELL. No.

Mr. MILLS. What is the amount of those; do you have that figure?

Mr. BELL. Roughly, \$12,000,000,000.

Mr. MILLS. And they are not taken into consideration in figuring the public debt?

Mr. BELL. No.

Mr. REED. How many did you say?

Mr. BELL. Roughly, twelve billion; \$12,080,000,000.

Mr. REED. \$12,080,000,000.

Mr. BELL. Yes.

Mr. MILLS. Mr. Bell, I am always a little bit concerned when we write into law any reference to any losses. In section 3, particularly subsection (i), "or on the losses," contemplates what could arise, under that section. Are there any possible losses that could arise in connection with the redemption of savings bonds?

Mr. BELL. I think I outlined that would not all be loss. If we had a stop order against a man's bonds for some reason not affecting the validity of the bonds and those bonds were redeemed that would not be a loss; we would adjust the difficulty under the regulations and pay the bonds, because he has loaned the money for that period.

Mr. MILLS. You perhaps may not have thought of this, but when I read the language of this subsection the thought occurred to me that possibly at some future time, if someone so decided, it might be that a regulation could be promulgated that would permit losses in fluctuations of value to be considered. That is not the main thought.

Mr. BELL. No; and I do not think that would follow because this talks about redemption and has nothing to do with market losses.

Mr. MILLS. Yes; it could not be used to stabilize values.

Mr. BELL. No. And the savings bonds are not marketable securities; they have no market value subject to fluctuation.

Mr. MILLS. I understand.

Mr. BELL. Their value lies in the fact that the Treasury will redeem them at stated values.

Mr. MILLS. I made the point just to get your statement in the record.

Mr. BELL. Thank you.

The CHAIRMAN. Mr. Gearhart.

Mr. GEARHART. Mr. Bell, referring to the question that was raised by the gentleman from Michigan, Mr. Dingell, who asked you why not issue non-interest-bearing bonds. I have in my hand a Federal reserve note which states that the United States of America promises to pay the bearer on demand \$5.

What is the difference between that note and the non-interest-bearing bond Mr. Dingell suggested? In other words, what did he have in mind, according to your understanding of the question?

Mr. BELL. I do not think he has in mind anything that has to do with the medium of exchange; and what you have is a medium of exchange. He had in mind giving the person who wants to loan his money to the Government without interest its obligation to repay the principal without interest, but would not circulate as money.

Mr. GEARHART. What is the difference if the Government promises to pay its bond without interest, or promises to pay bearer \$5; there is the same promise to pay.

Mr. BELL. If the holder of the bond undertook to circulate a non-interest-bearing bond, I think it would circulate at some figure that would take care of the interest. That is what would happen to the bond. That is not true as to currency.

Mr. GEARHART. If it is a non-interest-bearing bond how would the interest be arrived at?

Mr. BELL. I think if you owned a non-interest-bearing bond and wanted to sell it on the market it could not be transferred at its face value; the person that took it would not pay 100 cents the dollar, but at some lesser amount, depending upon its maturity. And this would be in effect interest; and an amount equivalent to interest would be realized, as if they were, in fact, interest-bearing obligations.

Mr. GEARHART. It is a rather dangerous assumption, is it not, to come to the conclusion that the securities of the United States are immediately going to depreciate?

Mr. BELL. I do not think it is a dangerous assumption in the case you put to me; but if a noninterest bond is to be sold on the market it just has to sell at some value that would include some consideration as to interest, on the part of the purchaser.

Mr. GEARHART. He suggests then a security which would suffer an immediate loss?

Mr. BELL. No; I think not. Of course, I do not know what he had in mind; I cannot speak for him, but I think he had in mind a security that would be redeemed by the Treasury at 100 cents on the dollar.

Mr. GEARHART. As a matter of fact there would be no difference. It is the same as the suggestions you hear discussed all the time by the money fanatics; the money fanatic is even more fanatical than the religious fanatic; they are hard to get along with; they debate most vociferously; they talk about the issuance of non-interest-bearing bonds and all of them are afraid to issue a non-interest-bearing bond.

Now I turn to this Treasury note and I cannot see the difference between a non-interest-bearing bond and currency, except possibly

it would move in the business world a little more slowly; and I cannot understand why any citizen would consider it a patriotic duty on his part to distinguish between a circulating medium which carries no interest, and a piece of paper which is not circulating and which bears no interest. I was interested to know how to dispose of those people who meet you on street corners and advocate those things.

Mr. BELL. Well, I think it is rather difficult to try to dispose of people's ideas; you cannot dispose of them.

Mr. GEARHART. You have no suggestion as to that.

Now this legislation we have under consideration is referred to as legislation fixing a limitation upon the national debt. As a matter of fact, that is not the correct conception of it. In other words, this is legislation merely to put a shackle on the Secretary of the Treasury in issuing securities.

Mr. BELL. It increases the borrowing authority of the Secretary of the Treasury; and it limits the debt he can issue on behalf of the United States.

Mr. GEARHART. And in effect this means his authority to issue securities in the name of the United States will be limited to \$210,000,000,000.

Mr. BELL. That is right.

Mr. GEARHART. But this legislation is not a limitation upon the Congress to enlarge appropriations.

Mr. BELL. Of course not.

Mr. GEARHART. We can appropriate far beyond this \$210,000,000,000.

Mr. BELL. And you have.

Mr. GEARHART. And if we do and the time comes when the obligations must be met by the Treasury, if we do not raise the debt limit, the Treasury will not be able to get the money.

Mr. BELL. You are possibly right; yes.

Mr. GEARHART. In the light of that, I say, why this kind of legislation at all? It does not limit the Congress in passing appropriation; it merely puts shackles upon an agency of the Congress in the execution of its appropriations, and in the event we do not legislate the debt limit along with the appropriations Congress would be merely making itself foolish by appropriating beyond the ability of the Government to respond. In other words, why should we have this kind of legislation at all?

Mr. BELL. Well, Mr. Gearhart, that question has been raised a number of times as to why should you put a limit on the debt when the Congress has already authorized expenditures far in excess of the limitation put on the Secretary to sell securities. You could take the other view that you could not borrow any more than you have appropriated.

But as the Secretary has explained on previous occasions, it is a good thing for the executive departments to come up here and lay before your committee the financial condition of the Treasury; and I think from that standpoint the debt limit should be fixed by the Congress and that we should come up and ask for an increase from time to time, if necessary; but from the practical angle the debt limit is controlled by appropriations made by the Congress.

Mr. GEARHART. In any event.

Mr. BELL. But we think it is a good thing and we do not advocate its elimination.

Mr. GEARHART. Well, if the Secretary should issue securities, with no limitation, beyond the appropriation, he would be guilty of malfeasance in office and subject to prosecution and removal from office. Do you not think that is a sufficient check on him?

Mr. BELL. Yes; I suppose that would be hanging over his head all the time.

Mr. GEARHART. Why certainly. I think this is all monkey business legislation; I do not see any sense in it myself.

Mr. KNUTSON. Mr. Chairman——

Mr. GEARHART. I have not concluded yet.

Mr. BELL. We do not advocate its elimination, Mr. Gearhart.

Mr. GEARHART. I understand that.

I saw a bill that was issued by the Philadelphia Federal Reserve Bank, a bill which recited on its face it was secured by bonds it had deposited with the Treasury. That interested me very much. When the banks buy \$30,000,000,000 worth of bonds, as you say they have, does that carry with it the right to everyone of the banks to deposit these bonds with the Treasury to issue currency on them?

Mr. BELL. No; it does not.

Mr. GEARHART. Does it carry the right of the bank, through the Federal Reserve bank to deposit those bonds with the Treasury of the United States and to issue currency on them?

Mr. BELL. Not as such, no; but I suppose the member banks could borrow by pledging those bonds with the Federal Reserve banks and take the proceeds of the loans in currency——

Mr. GEARHART. I have in mind a Federal Reserve bank certificate on a bank in Philadelphia in the amount of \$20, which recited on its face that it was secured by United States bonds deposited with the Treasurer of the United States.

Mr. BELL. Is that all of the quotation?

Mr. GEARHART. There was one other statement that I do not recall at the moment——

and by such other security as might be lawful——

Mr. BELL. That is very important.

Mr. GEARHART. Have you that phrase?

Mr. BELL. I think that is about right. I do not, but I think the quotation is approximately correct; it is "or by like deposit of other securities."

Mr. GEARHART. One of the ways by which the Federal Reserve can be authorized to issue currency is by depositing United States bonds into the Treasury.

Mr. BELL. Under certain conditions; yes.

Mr. GEARHART. Can they issue currency up to 100 percent of the face value of those bonds?

Mr. BELL. Yes; they can.

Mr. GEARHART. In other words, the situation develops into this: That the banks can buy the bonds——

Mr. BELL (interposing). You are not talking now about Federal Reserve notes?

Mr. GEARHART. So the Federal Reserve banks acquire the bonds and draw the 2.6-percent interest on those bonds, and at the same time

redeposits them with the Treasury and secures 100 percent of the face value in currency and uses that money for the purposes of the bank, that is let out for whatever purpose it desires. Is that correct?

Mr. BELL. No; I do not think so, Mr. Gearhart.

Mr. GEARHART. What is the situation?

Mr. BELL. I think probably you have confused the Federal Reserve banks with the member banks owning the bonds. The bonds pledged by member banks with Federal Reserve banks for loans are not owned by the Federal Reserve banks and they could not therefore use them as security for Federal Reserve bank notes.

Mr. GEARHART. I do not care whether there are 1, 2, or 3 steps; I am talking about the member banks that have business with the Federal Reserve bank and put up bonds with the Federal Reserve, and the Federal Reserve deposits them with the Government and secures currency; or it may be on the second step.

The thing that I think is of interest to the American people, and I would like to know the answer here, is whether these banks who are coerced to buy bonds—and I use “coerced” in the friendly sense—anyway the banks buy the bonds and then get the 2.6 percent interest on the bonds; then they take them down to the Federal Reserve bank, the Federal Reserve bank turns them over to the Treasury and they get their money back again; they have both the bonds and have got their money back; that is they get the interest on the bonds and then with their money back again to put out to the commercial world for which they receive 6, 7, or 8 percent while they are getting 2.6 percent on the same dollars. Is that true? I want to know whether I am in error.

Mr. BELL. That is not true, because the banks at the present time are not borrowing substantially from the Federal Reserve banks, and therefore they cannot loan that money out again. There is only \$10,000,000,000 of discounted Federal Reserve paper at this time with the System; the member banks already have all the money they need to loan.

Mr. GEARHART. There is the possibility, however.

Mr. BELL. You spoke about 2.6 percent.

Mr. GEARHART. I understood you to say the average was 2.6 percent.

Mr. BELL. No; 2.06 percent, and that does not mean they get an average of 2 percent; they take much shorter term paper and the average rate on short-term paper is lower than that.

Mr. GEARHART. Well whatever they get, it is the interest on the securities that they own.

Mr. BELL. Just as on any kind of securities; it is eligible for discount with the Federal Reserve bank. That was the purpose of providing the Reserve System so the banks could get the funds to do business with.

Mr. GEARHART. After the bank has bought these bonds by that method it can get its money back from the Treasury.

Mr. BELL. If the member bank borrows from a Federal Reserve bank, it gets currency or a credit in its reserve account with those bonds or on other eligible collateral pledged for the loan; and there would be no difference between Government securities they hold and private paper. There is no difference.

Mr. GEARHART. It seems to be unjustifiable clipping in the operation for the bank to buy something and then still have its money, to get interest on the bonds and then put its own money out again at interest in commercial channels; 2.06 interest on the bonds, or whatever they receive on the securities owned by the Federal Reserve banks.

Mr. BELL. That is just expansion of credit by the banks, Mr. Gearhart. That operation was contemplated when the Federal Reserve Act was enacted.

Mr. GEARHART. How much of this increase between \$11,760,000,000 and \$15,000,000,000 in outstanding currency now is brought about by reason of that kind of manipulation?

Mr. BELL. There has been no manipulation. The difference between the \$12,030,000,000 in Federal Reserve notes and \$15,000,000,000 is represented by about \$3,000,000,000 of other forms of currency and coins outstanding—United States coin, silver certificates, United States notes, national bank notes, and Federal Reserve bank notes.

Mr. GEARHART. When I first came to Congress, about 9 years ago, the outstanding currency was about \$5,500,000,000. Now the outstanding currency is \$15,000,000,000.

Mr. BELL. Economic conditions have changed, too.

Mr. GEARHART. But has that difference made it necessary, or is it the result of manipulation of redeposited bonds and the acquisition of power to issue currency?

Mr. BELL. I can assure you that there has been no manipulation involved in the \$15,000,000,000 of currency which is in circulation.

Mr. GEARHART. I would not say manipulation, but I am thinking of improper use of it, in connection with the redeposit of bonds after purchase and that unsecured issue of currency. Would you call that manipulation in the proper sense, or would you not? I would like to know just what percentage of this increase is due to that sort of maneuvering.

Mr. BELL. First, all currency issued is the result of the demand for currency by the public. The transaction that you particularly refer to amounted to \$660,000,000, and it is a very small amount and insignificant in the total currency volume, and it is the only transaction in the picture, and the only one contemplated, because there are no other notes available, and it is estimated that in 18 months substantially all of the \$660,000,000 will be out of circulation and that Federal Reserve notes issued by the same institutions will take their place if it is necessary.

Mr. GEARHART. Mr. Bell, for my own information may I inquire when the first debt limitation bill was passed?

Mr. BELL. In 1917, I believe, under the first Liberty Bond Act.

Mr. GEARHART. That was in operation during the First World War?

Mr. BELL. Yes, sir.

Mr. GEARHART. And what was it fixed at at that time?

Mr. BELL. The First Liberty Bond Act picked up the authority to issue bonds prior to that time, which went to specific cases, and that act authorized us to issue \$7,538,000,000 in bonds. I might add that it also authorized the issuance of 1-year certificates of indebtedness of \$4,000,000,000.

Mr. GEARHART. One-year certificates?

Mr. BELL. Yes, sir. At that time the authority to issue bonds did not constitute a revolving fund. If we issued a bond, that canceled the authority.

Mr. GEARHART. Then what was the next legislation?

Mr. BELL. The next legislation was the Second Liberty Bond Act of 1918.

Mr. GEARHART. And what was that, in substance?

Mr. BELL. It increased the bond authority to \$12,000,000,000 and certificates of indebtedness to \$8,000,000,000.

Would you like to have me put a complete statement in the record?

Mr. GEARHART. Yes; I would appreciate it.

Mr. BELL. It is quite long. I shall be glad to put it in the record, if you wish.

Mr. GEARHART. Yes; I would like to have it.

(The statement requested is as follows:)

DEBT LIMITATION UNDER SECTION 21 OF THE SECOND LIBERTY BOND ACT AS AMENDED

"The face amount of bonds, certificates of indebtedness, Treasury bills, and notes issued under the authority of this Act * * * shall not exceed in the aggregate \$45,000,000,000 outstanding at any one time."

HISTORY OF LEGISLATION

SEPT. 24, 1917

Sec. 1 (40 Stat. 288) authorized bonds in the amount of-----	¹ \$7, 538, 945, 400
Sec. 5 (40 Stat. 290) authorized certificates of indebtedness outstanding (revolving authority)-----	² 4, 000, 000, 000

APR. 4, 1918

Amending sec. 1 (40 Stat. 502) increased bond authority to--	¹ 12, 000, 000, 000
Amending sec. 50 (40 Stat. 504) increased authority for cer- tificates outstanding to-----	² 8, 000, 000, 000

JULY 9, 1918

Amending sec. 1 (40 Stat. 844) increased bond authority to--	¹ 20, 000, 000, 000
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MAR. 3, 1919

Amending sec. 5 (40 Stat. 1311) increased authority for cer- tificates outstanding to-----	² 10, 000, 000, 000
New section 18 added (40 Stat. 1309) authorized notes in amount of -----	¹ 7, 000, 000, 000

NOV. 23, 1921

Amending sec. 18 (42 Stat. 321) increased note authority to outstanding (establishing revolving authority)-----	² 7, 500, 000, 000
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JUNE 17, 1929

Amending sec. 5 (46 Stat. 19) authorized Treasury bills in lien of certificates of indebtedness, no change in limitation for the outstanding-----	² 10, 000, 000, 000
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MARCH 3, 1931

Amending sec. 1 (46 Stat. 1506) increased bond authority to--	¹ 28, 000, 000, 000
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JANUARY 30, 1934

Amending sec. 18 (48 Stat. 343) increased authority for notes outstanding to-----	² 10, 000, 000, 000
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¹ Limitation on issue.

² Limitation on outstanding.

FEBRUARY 4, 1935

Amending sec. 1 (49 Stat. 20) limited bonds outstanding (establishing revolving authority) to-----² \$25, 000, 000, 000
 New sec. 21 added (49 Stat. 21) consolidated authority for certificates and bills (sec. 5) and authority for notes (sec. 18). Same aggregate amount outstanding-----² 20, 000, 000, 000
 New sec. 22 added (49 Stat. 21) authorized United States Savings bonds within authority of sec. 1.

MAY 26, 1938

Amending secs. 1 and 21 (52 Stat. 447) consolidated in sec. 21, authority for bonds, certificates of indebtedness, Treasury bills and notes (outstanding bonds limited to \$30,000,000,000). Same aggregate total outstanding-----² 45, 000, 000, 000

JULY 20, 1939

Amending sec. 21 removed limitation on bonds without change, total authorized outstanding of bonds, certificates of indebtedness, Treasury bills and notes-----² 45, 000, 000, 000

JUNE 25, 1940

Sec. 302. Sec. 21 of the second Liberty Bond Act, as amended, is hereby further amended by inserting "(a)" after "21." and by adding at the end of such section a new paragraph as follows:

"(b) In addition to the amount authorized by the preceding paragraph of this section, any obligations authorized by sections 5 and 18 of this Act, as amended, not to exceed in the aggregate \$4,000,000,000 outstanding at any one time, less any retirements made from the special fund made available under section 301 of the Revenue Act of 1940, may be issued under said sections to provide the Treasury with funds to meet any expenditures made, after June 30, 1940, for the national defense, or to reimburse the general fund of the Treasury therefor. Any such obligations so issued shall be designated 'National Defense Series'."-----³ \$4, 000, 000, 000

FEBRUARY 19, 1941

Amending sec. 21 to read "Provided that the face amount of obligations issued under the authority of this Act shall not exceed in the aggregate \$65,000,000,000 outstanding at any one time." Eliminates separate authority for \$4,000,000,000 of National Defense series obligations-----² 65, 000, 000, 000

MARCH 28, 1942

Amending sec. 21 increasing limitation to \$125,000,000,000-----² 125, 000, 000, 000

² Limitation on outstanding.

³ Limitation on issues less retirements.

Mr. GEARHART. That is all, Mr. Chairman.

Mr. REED. Mr. Chairman, I would like to insert in the record at this point an open letter to Congress.

Mr. COOPER (presiding). Without objection, it will be inserted in the record.

(The matter referred to is as follows:)

[Although this letter is published by the Economists' National Committee on Monetary Policy, 70 Fifth Avenue, New York City, the views expressed are solely those of the Secretary. No individual in this committee may speak for any other member]

AN OPEN LETTER TO CONGRESS ON THE NEWLY AND IMPROPERLY ISSUED FEDERAL RESERVE BANK NOTES

(From Walter E. Spahr, professor of economics, New York University, and secretary, Economists' National Committee on Monetary Policy)

JANUARY 20, 1943.

If our Treasury and Federal Reserve authorities are to resort to greenbackism, they should do so openly and inform Congress and the people of that fact. This type of currency inflation is precisely what is involved in the present issuance of so-called Federal Reserve bank notes by the Treasury.

The following facts are not to be controverted:

1. There is no law authorizing the Treasury's action in issuing Federal Reserve bank notes up to \$660,000,000 or in any amount whatever.

2. Such notes can be issued legally only by Federal Reserve banks and only in accordance with the provisions of the Federal Reserve Act.

3. The new so-called Federal Reserve bank notes are not being issued by the Federal Reserve banks and are not liabilities of these banks.

4. The statement on the face of these notes to the effect that they are "secured by United States bonds deposited with the Treasurer of the United States or of America or by like deposit of other securities" is a falsehood.

The press release of the Board of Governors of the Federal Reserve System, dated December 13, states that the Board has authorized the Federal Reserve banks to utilize at this time "the existing stock of currency printed in the early thirties known as 'Federal Reserve Bank notes.'"

It should be noted that these notes are not called Federal Reserve bank notes; they carry the name "National Currency." What is "National Currency?" What law authorizes its issuance? By whom may it be issued and whose liability is it?

The Board's excuse for the issuance by the Treasury of this paper money is that "more than \$300,000 will be saved in the cost of printing new currency," and that "In terms of labor and materials, there would be a saving of 225,000 man-hours in printing alone, and of 45 tons of paper in addition to a substantial saving of nylon and ink."

This is not a legitimate excuse for the issuance of a currency in violation of law. The Federal Reserve Act, Sec. 18, par. 6, is quite clear on this point. It says that "the United States shall be reimbursed by the Federal Reserve bank to which such notes are issued for all expenses necessarily incurred in connection with the procuring of such notes and all other expenses incidental to their issue, redemption, replacement, retirement, and destruction."

If these notes were on hand and were printed as Federal Reserve bank notes, there was no good reason why the Federal Reserve banks should not have taken them out as provided by the Federal Reserve Act if they were needed in circulation. This excuse was, therefore, totally irrelevant and the Board's contention is quite indefensible.

Were these Federal Reserve bank notes issued by the Treasury on the assumption that the mechanism involved is so complex that this sleight-of-hand act could be performed without the American people understanding just what the nature of the transaction was? It is reported that the General Counsel of the Treasury has said, in reply to a question as to how the Treasury can legally issue Federal Reserve bank notes, that "It is merely a matter of a technicality."

Whatever the attempted defense of the Treasury and Board of Governors of the Federal Reserve System may be for this inexcusable and illegal handling of the people's money, it cannot rest upon the ground that the transaction is merely a technicality. Quite apart from the matter of bad administration involved, the consequences of the issuance of this currency by the Treasury are very different from those resulting from its issuance by the Federal Reserve banks in accordance with the law. These differences are important.

If issued by the Federal Reserve banks, the Federal Reserve bank notes are obtained from the Comptroller of the Currency only after the deposit, by the banks, of Government securities equal to 100 percent of the notes received, or the deposit of approximately 111 percent of other specified notes, drafts, bills of exchange, or bankers' acceptances, with the Treasurer of the United States or with the Federal Reserve agents acting for the Treasurer. If issued in accordance with Section 4, par. 4, subparagraph 8, of the Federal Reserve Act, the Reserve banks would, in addition, be required to deposit a redemption fund in lawful money equal to not less than 5 percent of the Federal Reserve bank notes received. These bank notes would not be assets or reserves in the Federal Reserve banks; they would be liabilities. The bonds and redemption fund deposited by the banks with the Treasurer of the United States or Federal Reserve agents would be the banks' assets against the notes.

A very different situation arises by virtue of the fact that the Treasury has issued these so-called Federal Reserve bank notes. These notes are a liability of the Treasury; they are part of "Treasury currency outstanding." Such money becomes lawful money for reserves against deposits in Federal Reserve banks. As the Treasury deposits \$660,000,000 of these notes with the Federal Reserve banks, it receives a deposit credit of \$660,000,000. The Federal Reserve banks have additional reserves of \$660,000,000. (If the Federal Reserve banks issued \$660,000,000 of Federal Reserve bank notes, they would increase their liabilities by this amount, but would add nothing to their legal reserves.)

Since Federal Reserve banks are required to maintain a 35-percent reserve in lawful money against their deposits, this additional reserve of \$660,000,000 would support deposits in the Federal Reserve banks equal to \$1,885,714,285, or \$1,225,714,285 more than the deposit arising from the original deposit of these notes.

But since the member banks of the Federal Reserve System also maintains fractional reserves against their deposits, a further expansion of credit can take place on the basis of the increase of \$1,885,714,285 in the deposits in the Federal Reserve banks. The Treasury will spend its \$660,000,000, and the Treasury or member banks will borrow the remaining \$1,225,714,285, thus drawing the total \$1,885,714,285 into circulation. As this sum flows into member banks their deposits and cash will increase by the same amount. If they deposit this money with the Reserve banks, as they will since not this money but deposits with the Reserve banks are reserve, their reserves will increase by the same amount. But since the average member bank may maintain a reserve of 20 percent against its demand deposits, this \$1,885,714,285 can support \$9,428,571,425 of demand deposits in the banking system. (If the reserve requirements were reduced to 10 percent, which is legally possible, then this deposit expansion could equal \$18,857,142,850.)

If, on the other hand, the Federal Reserve banks issued these Federal Reserve bank notes, as provided by law, these notes could give rise to only \$660,000,000 reserves in the member banks by a deposit in the Federal Reserve banks by the member banks. This reserve deposit, under a 20 percent reserve requirement, could support deposits of only \$3,300,000,000 as compared to \$9,428,571,425 if issued by the Treasury—a difference of over \$6,100,000,000. On a 10 percent reserve basis the deposits would be, respectively, \$6,600,000,000 as against \$18,857,142,850—a difference of over \$12,200,000,000.

Stated in other words, the expansion in deposit credit is least when the Federal Reserve bank notes are legally issued against assets properly deposited by the Reserve banks with the Treasury. The expansion is greatest when the Treasury illegally issues the notes against no assets deposited anywhere by anyone. When legally issued, \$1 of Federal Reserve bank notes can support \$5 of deposit credit. As issued by the Treasury, \$1 of Federal Reserve bank notes can support over \$14 of deposit credit.

Therefore, when any Government official says that it is a mere technicality whether these notes are issued by the Treasury or the Federal Reserve banks he convicts himself of lack of understanding or reveals a willingness to mislead the public.

Nor can the Reserve and Treasury authorities justify this illegal transaction by saying that these newly issued Federal Reserve bank notes are identical with the ones being retired (since 1935). These notes are being issued, they are not being retired—\$660,000,000 of them are being issued. This stretching of the English language to make an issuance of a currency mean the same as its retirement is matched only by the stretching applied in this case to the Federal Reserve Act by the Reserve and Treasury authorities!

The Office of War Information issued in December 1942 a bulletin called "Inflation" in which the author discussed the evils of inflation and appealed to the people to cooperate with and aid the Government in its fight against inflation.

In the same month this same Government, by a sleight-of-hand performance and illegally, employed a device which would enable our commercial bank deposits to expand \$9,428,571,425! While one Government agency was warning the people against inflation, another was busy inflating the currency by the use of a device which would almost certainly deceive the public!

By this device the Treasury gave itself a purchasing power of \$660,000,000 to which it was not entitled; it neither taxed nor borrowed to get it. It resorted to a device that no government should wish to defend.

Most students of our money and banking system never approved of Federal Reserve bank notes, even when properly issued, because they amounted to a monetization of just that much of the Federal debt. They applauded their retirement in 1935. Doubtless none of these students ever supposed that, undesirable as such notes are, they would ever sink to the level of fiat money!

As these \$660,000,000 of Federal Reserve bank notes are now being issued, they have the characteristics of the unsecured United States notes issued during the Civil War and of those provided for by the Thomas Amendment of May 12, 1933. Indeed, if \$660,000,000 United States notes were issued, as provided by the Thomas Amendment, except for the psychological factor involved, they would be better in quality than these Federal Reserve bank notes. The \$346,681,016 of United States notes outstanding are secured by a trust fund of approximately \$155,000,000 in gold, and this would be a reserve against \$346,681,016 + \$660,000,000, or \$1,006,681,016, whereas the \$660,000,000 of Federal Reserve bank notes now being issued by the Treasury have no reserve or trust fund behind them; they are simply issued against the cash assets of the Treasury. All fiat money is issued in this manner.

In short, our Government officials of earlier years apparently regarded their responsibilities for the soundness of the Nation's currency with seriousness, they required the Treasury to maintain a trust fund in gold of some 40 percent of the United States notes outstanding. But now our Treasury issues nearly twice as many unsecured notes—and illegally at that—and makes no suggestion whatever that a trust fund or reserve be established for their redemption! Do our Treasury and Reserve authorities regard their responsibilities less seriously than did our officials of earlier years?

Does not this illegal and immoral practice, being indulged in by our Federal Reserve and Treasury authorities, present a state of affairs that Congress should take in hand as it makes an effort to reclaim its abandoned authorities and its powers to protect the people who elect them to office?

Mr. CARLSON. Mr. Bell, if this act authorizes the Treasury to designate certain companies to provide for the redemption of these outstanding bonds, how generally do you expect to use that authority?

Mr. BELL. I do not know, Mr. Carlson.

Mr. CARLSON. Maybe I should be more specific. Do you expect to select one bank in each county, or what is your plan?

Mr. BELL. We do not have any particular plan. I would not contemplate designing every bank in the country, but they would be strategically located.

Mr. CARLSON. How do you expect to reimburse these banks that you select?

Mr. BELL. I do not know that it would be necessary to reimburse the banks. They do a great deal of work for us now without any reimbursement. It is a part of their service to their customers. If we have to reimburse them, and if it is done through appropriations, we would, of course, have to come back to you and get authority.

Mr. CARLSON. I was wondering if you had made any plans. Of course, they are rendering a lot of gratis service, but I was wondering what provision, if any, you are making for their reimbursement, if necessary.

Mr. BELL. They are rendering a lot of free service and we are very grateful for it. They are saving us a lot of money.

It could be done by various methods; either by direct appropriation, which would probably cost a great deal of money. It could be done through our present 2-percent depositary bonds which could be sold to them, and the interest on those bonds would just offset their expenses. There would be no profit to them. Another way it might be done is to let the bank possibly keep the bond on which it advances cash for a period of say 6 months, and the interest they would get on it would reimburse them for their services.

Mr. CARLSON. My thought was that you could not designate all the banks, and I was wondering just how generally you were going to use this method.

Mr. BELL. I do not know how general it would be, but certainly it would be sufficient to meet the load that would be put upon a community. At the present time, out of the 14,000 banks, we have only about 500 designated as general depositaries to take care of our depositary work throughout the country. Now, certainly there is a great volume of work in the redemption of savings bonds.

Mr. REED. I did not understand how these 500 banks are designated.

Mr. BELL. As general depositaries. To secure that designation it is necessary that the bank carry on some essential Government business for us.

Mr. CARLSON. Don't they bid for that privilege, Mr. Bell?

Mr. BELL. No; they do not. It is generally done through the medium of Government officials in the communities; say an Army officer at an Army post, who gets to doing business with a certain bank. We rely on their recommendation a great deal, providing, of course, the bank is in fairly good condition. But we rely on the Government officials in the community to suggest the bank for us.

Mr. CARLSON. Are the postmasters authorized to redeem these bonds at the present time?

Mr. BELL. The act authorizes us to use the Postal Service for redemption. However, at the present time only the Federal Reserve banks and the Treasurer of the United States are actually redeeming the bonds, but we can use the post offices.

Mr. KNUTSON. Mr. Chairman, I want to ask one question.

Mr. Bell, in the good old days, when we owed a national debt of approximately \$35,000,000,000, some banker told the President we could easily stand a debt of 75 billion. Do you know whether this anonymous banker has since revised his estimate?

Mr. BELL. No; I do not, Mr. Knutson. I did not know him in the first instance.

Mr. KNUTSON. I did not, either.

Mr. DEWEY. Mr. Bell, I have been very much interested in your statement, and I think it is a splendid conception of the Secretary of the Treasury to have participation by the workers in the purchase of War Savings bonds, generally known as E, F, and G. About how many bonds of that nature—E, F, and G—have been sold to date through these pay-roll participations?

Mr. BELL. Of the series E bonds which are involved in the pay roll deduction plan, between May 1941 and December 31, 1942, we had

sold \$7,133,000,000, which represents actual cash receipts. How much of that is on pay-roll savings it is rather difficult to say, but we are now deducting from wages and salaries about \$400,000,000 a month. There are approximately 20,000,000 people in industry participating in the pay roll deduction plans, and I think there is another four or five million in the Government and armed forces making close to 25,000,000 people all told having an opportunity of getting these bonds through the pay-roll deduction plans.

Mr. DEWEY. That is principally in the E bonds?

Mr. BELL. Principally in the E bonds; yes, sir.

Mr. DEWEY. Is there a constant increase in interest and increase in the number of savers through this method, and about what percentage of their savings are they putting in at the present time? That is two questions in one.

Mr. BELL. In December it was running at the rate of 8.7 percent of their salaries, and it has gradually increased each month. It started out in December 1941, just a year ago, at 4.1 percent, and that has gradually increased until today it is 8.7 percent. The goal, of course, is 10 percent or better.

Mr. DEWEY. Those bonds, I understand, are considered a liability on the Treasury after they have been held by the recipient for 60 days?

Mr. BELL. They are a liability from the date of issue, but the owner has the right to redeem after he has held them 60 days.

Mr. DEWEY. This question goes away from the bonds and into theory. Are you at all familiar with the theory that has been expressed by persons interested in labor, that the labor life of a workman is his capital; in other words, that a man has a number of labor-hours in his life, and that if he gives up any portion of that, it means that he is giving up some of his capital? Have you ever heard that theory expressed?

Mr. BELL. I think so.

Mr. DEWEY. Then I come to the matter of forced savings. There has been some talk of forced savings rather than this voluntary plan. Would you consider forced savings a capital levy on the capital of working men?

Mr. BELL. I should think forced savings would be a levy on his earnings or income, just like a tax, except that he gets back, of course, the amount that he lends to the Government under the enforced saving scheme.

Mr. DEWEY. I cannot agree with you on that, Mr. Bell.

Mr. BELL. Well, that is what makes the world go round.

Mr. DEWEY. I would like to go one step further. You said there had been some redemption in certain areas due to a rumor that the savings might be frozen?

Mr. BELL. There has been some of that; yes, sir.

Mr. DEWEY. What do you think would be the effect on your 7 billions of dollars of E bonds now outstanding if there should be promulgated or put forward an idea that we were going to go into forced savings? Do you think those bonds would not come back immediately to the Treasury?

Mr. BELL. I think it would have some effect on us. I do not know how much. Of course, the effect would be determined largely by

the type and size of the program; but I expect we would have some redemptions; yes, sir.

Mr. DEWEY. In fact, the Treasury would not gain new money if they just had a bookkeeping operation of taking an E bond and putting out forced savings?

Mr. BELL. It would be a substitution, and, of course, as to enforced savings, any program to be considered by the Congress should take that into consideration. It should be large enough to provide the Treasury with substantial amount of net additional funds over the amount of the reduction in the voluntary program. Otherwise the enforced savings program could not be justified.

Mr. DEWEY. How many individuals throughout the United States do you suppose are in this savings organization which was set up, I understand, by the States, and are setting up this voluntary savings plan? About how many people do you suppose are giving their time to that work?

Mr. BELL. I would like to look up the correct figures, Mr. Dewey.

Mr. DEWEY. In general, I mean.

Mr. BELL. We have somewhere between 275,000 and 300,000 volunteers in the war-savings program, and we have about 1,200 paid employees, of which 350 are here in Washington and 850 throughout the country.

Mr. DEWEY. So, to put out this rather successful program—and I think it must be admitted that it is successful——

Mr. BELL. Very successful.

Mr. DEWEY. Because the numbers are increasing monthly—you would have twenty-five to thirty million individuals participating. You have 300,000 people working free at the effort, at a cost to the taxpayers of 1,200 paid workers?

Mr. BELL. That is right.

Mr. DEWEY. All right; thank you.

The CHAIRMAN. Are there any further questions? If not, we thank you, Mr. Bell.

(Thereupon, after an executive session, the committee adjourned.)

DEBT LIMIT OF THE UNITED STATES

SATURDAY, FEBRUARY 13, 1943

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

The committee met at 10 a. m., Hon. Robert L. Doughton (chairman) presiding.

The CHAIRMAN. The committee will be in order. The first witness this morning is Representative Patman.

STATEMENT OF HON. WRIGHT PATMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. PATMAN. My name is Wright Patman, Member of Congress from the First Congressional District, Texas.

In the beginning I want to express my appreciation to this committee for giving consideration to this subject. I know it is a controversial subject, but I have studied it for 25 years, 10 years before I ever made any public declaration on it. I was very anxious to seek the best advice from the best experts in this Nation before I ever made any public declaration on this subject.

Our public debt by the end of the next fiscal year will be about \$210,000,000,000. A large part of this debt, if present plans are not changed, will be owned by the 14,000 commercial banks in the Nation. The interest burden on this debt will be between four and five billion dollars per annum. The interest burden this fiscal year will be \$3,000,000,000, which is provided for in the Budget message submitted by the President at the beginning of this session of Congress.

The net increase in the public debt for the year ending June 30, 1944, will be \$75,500,000,000.

HOW LARGE PART OF INTEREST CAN BE SAVED

The occasion of my appearance before this committee is to make a suggestion about how billions of dollars a year can be saved by the Government on this huge national debt. Our interest burden after the next fiscal year will be much larger than the entire expenditures of our Government in 1933 and more than four times as large as the total expenditures of our Government in 1914. The question of interest, therefore, becomes one of our major problems. If a substantial part of this interest can be saved it will be of great help to the already over-burdened taxpayers. If the plan had been in effect in the past our Government would have been saved at least one-half the interest burden, which would have amounted, over a period of years, to billions of dollars.

It is my considered opinion that not only can a large part—in fact, the greater part—of this interest burden be saved but the method pursued in saving it will enable our Government to pay the entire national debt in 40 years even if it should reach \$300,000,000,000 before this was is over. In addition, the plan proposed will retire a definite amount of the debt each year, thereby reducing annually any inflationary condition that has been brought about because of the war, and more effectively retard inflation than the present system.

Inflation is our greatest danger. Monetary controls cannot stop it; only adequate price control can retard or prevent it. It must be prevented or our country will suffer a shock almost equal to losing the war to the dictators.

My plan is no different from present plans and methods except that no interest will be paid by the Government for a large part of its credit used to finance the war.

I am opposed to the Government owning the commercial banks. Those banks render a good service and are entitled to a fair profit. My advocacy of this proposal is in favor of the private banks and to help them remain private. This is no fight against bankers. They are doing a splendid, patriotic job in the war effort and they are among the finest and best citizens in every community. If it is necessary for the Government to assist the private banks in order to keep them performing efficiently, I am in favor of it.

For the first 125 years of our country's existence the question of interest paid by our Government was of only minor importance. For the past 25 years, however, our Government's interest burden has exceeded on an average more than a billion dollars a year.

Anyone is entitled to pay for hire of his money. When people dug gold and silver out of the earth, it was right, if they loaned it to the Government to get interest on it.

ROAD TO RUIN

We should not permit the war burden to be doubled and trebled through the payment of unnecessary interest. It will be traveling the road to ruin.

The Treasury is spending monthly:¹

Currently: \$6,000,000,000 for a war, a half billion for other purposes.

End of 1943: \$8,000,000,000 for war, a half billion for other purposes.

End of 1943: \$8,000,000,000 for a war, a half billion for other purposes.

Fiscal yearly total spending:¹

Ending June 30, 1943: \$74,000,000,000 for war, \$6,500,000,000 for other purposes.

Ending June 30, 1944: \$97,000,000,000 for war, \$7,000,000,000 for other purposes.

*Gross public debt*¹

Dec. 31, 1941	\$57, 900, 000, 000
Dec. 31, 1942	108, 200, 000, 000
June 30, 1943	134, 800, 000, 000
June 30, 1944	210, 500, 000, 000

¹ Information from Banking, Journal of the American Bankers Association for February 1943, p. 24.

*Possible banking-system balance—sheet as of June 30, 1944*¹

Resources:	
Cash and reserves.....	\$20,000,000
Government securities, direct and guaranteed.....	112,000,000,000
Other investments.....	8,000,000,000
War loans.....	8,000,000,000
Other loans.....	12,000,000,000
Total.....	160,000,000,000
Liabilities:	
Deposits.....	152,000,000,000
Capital.....	8,000,000,000
Total.....	160,000,000,000

¹Information from Banking, Journal of the American Bankers Association for February 1943, p. 24.

It will be noticed that the banks are expecting to hold \$112,000,-000,000 of the Government's securities by the end of 1944, which will be more than one-half of the entire public debt. The annual interest on this amount, which must be paid by the taxpayer, will be approximately \$2,500,000,000. The Stevens Hotel in Chicago was purchased by the Government because the annual rent to be paid would soon equal the purchase price.

In connection with the question of how much of the increased debt for this year will have to be purchased by the banks, I desire to quote the chairman of the board of directors of the Chase National Bank of New York, Winthrop W. Aldrich, in a speech he made Thursday, January 21, 1943, in which he stated:

Through 1943, it is estimated that the commercial banking system, that is, all commercial banks plus the 12 Federal Reserve banks, may have to absorb \$40,000,000,000 of Government obligations, an amount equal to about 60 percent of the estimated increase in the total Federal debt.

BANKS IN VULNERABLE ATTITUDE

The Bank of America statement of condition, December 31, 1942, discloses that it owns \$1,043,000,000 of the United States Government's securities and has a capital stock of \$50,000,000. In other words, this bank will collect as much in interest on these bonds in 2 years as the amount of the entire capital stock of the bank.

The statement of one bank of New York for December 31, 1942, discloses that it had in its portfolio Government obligations amounting to \$1,988,096,539.18. The capital stock of this bank is \$77,500,000. The interest received on the Government obligations in 2 years would be much more than the capital stock of the bank.

The statement of another New York bank for December 31, 1942, discloses that it had in Government obligations at that time \$1,692,-372,867.88. The capital stock of the bank is \$90,000,000.

ONE-HALF ALL FEDERAL SOCIAL SECURITY BENEFITS

January 9, 1943, it was reported that the 12 largest banks in New York City, as of December 31, 1942, held \$11,182,594,000 worth of United States Government interest-bearing securities. These 12 New York banks will therefore collect approximately a quarter of a bil-

lion dollars a year interest each year from the Government on these securities. This amount is equal to about half of the Federal Government's total expenditures for social security. Ten times as much as the cost of the legislative department of our Government in a year. It was reported January 20, 1943, that the 20 largest banks in the United States, 12 of them being in New York City, held Government bonds at the end of 1942 amounting to \$16,407,197,000. The interest that the Government will pay to these 20 banks will be between three hundred and four hundred million dollars per year.

The total capital stock of all the commercial banks amounts to \$3,500,000,000, although their surpluses and undivided profits amount to about \$5,000,000,000 more. When these banks own enough Government bonds to entitle them to \$3,500,000,000 a year, what do you think will happen?

ALL RIGHT TO PAY INTEREST ON ACTUAL MONEY HIRED

In the beginning, may I make it plain that I am not opposed to interest being paid by individuals or corporations for the use of other people's money that they have hired. Neither am I opposed to the payment of interest by States, counties, and political subdivisions for money that they hire. I am opposed to the United States Government, which possesses the sovereign and exclusive privilege of creating money, paying private bankers for the use of its own money. These private bankers do not hire their own money to the Government; they hire only the Government's money to the Government, and collect an interest charge annually.

What I am telling you I can prove by the highest authorities in the world. Over a period of years I have interrogated Mr. Eccles, Mr. Morgenthau, Mr. Bell, and the biggest bankers in this country and I know what their claims and contentions are, and what I say is there is no dispute or contention about it, or controversy; it is admitted. And, furthermore, I have, I believe, the best authority in the world on financial matters to support this statement. I don't want to take too much time, because I want you to hear from him. There are more words of Senator Robert L. Owen in the Federal Reserve Bank Act than the words of any other person, living or dead. Senator Owen is one of the most highly cultured men in the world. I feel like he knows more about this problem than any other person living. I know he is a modest man; he has not tried to put himself forward, but I feel, because of his attitude back in 1913, when the Federal Reserve Act was being written, his attitude was not favorable to certain powerful interests and it is the same today as it was then, and by reason of that unfavorable attitude on the part of some of the biggest fellows in the country they have submerged the part this great man had in the writing of that history-making legislation. Few men in the world have had the ripe experience and the successful experience that Senator Owen has had. He is a successful national banker himself. He organized a bank in 1890, owns a substantial part of the stock, was president for a long time, has been an official or director ever since, and he knows what this is all about.

Incidentally, it is a coincidence that Senator Owen, who was chairman of the Banking and Currency Committee in the Senate at the time of the passage of the Federal Reserve Act, and Senator Glass,

who was chairman of the Committee on Banking and Currency in the House, when the Federal Reserve Act was passed, were both born about the same time within two blocks of each other, in Lynchburg, Va.

The CHAIRMAN. May I interrupt to ask a question there?

Mr. PATMAN. Yes, sir.

The CHAIRMAN. You know that Senator Owen and Senator Glass were the authors of the Federal Reserve System?

Mr. PATMAN. Yes, sir.

The CHAIRMAN. Both played a conspicuous part in the writing of that act.

Mr. PATMAN. Yes.

The CHAIRMAN. Did you get Senator Glass' reaction to this proposal?

Mr. PATMAN. I only know how Senator Glass stood when the Federal Reserve Act passed, and his views were contrary, in many substantial respects, to Senator Owen's. I know his views since that time, and I would consider he would definitely be very much against it.

The CHAIRMAN. He would?

Mr. PATMAN. Yes, sir. I know his views. I am not arguing with him, or criticizing him or condemning him. I am just telling you I believe that would be his views. I know how he stood in the past on these difficult questions.

INTEREST CAN BE SAVED ON PART OF WAR DEBT

Furthermore, in this emergency it is necessary that we sell all the interest-bearing bonds that we can to the public, including corporations who have the money to buy them. This is necessary to retard inflation and it is very helpful to that end. I favor the levying and collection of all the taxes it is possible for the people to pay in order to reduce the national debt as much as possible each year. After the Government has collected all the taxes it can collect and has sold all the bonds to the public that can be sold, there will remain 50 per cent or more of the funds to be raised which must be obtained from the Federal Reserve banks or the privately owned 14,000 commercial banks of the country, that accept deposits, or from both.

It is this money that must be obtained from the Federal Reserve banks and the commercial banks that I insist can be secured by the Government without an annual interest charge.

Mr. DISNEY. Congressman, if you will restate your proposal in just a word, it would help me.

Mr. PATMAN. The point is this; we want to sell all the bonds we can to the public and corporations that have the money to buy them. And I am not opposed to that. We want to collect all the taxes we can to pay on this war. But after we do that, we will still have to have a large sum of money each year, and that money must be obtained through creation; it has got to be created. And my point is that the money, if it has got to be created on the Government's credit, that the people should not have to pay interest on that money that is so created. That is it in a nutshell, Mr. Disney.

H. R. 1 GERMANE TO BILL TO RAISE DEBT LIMIT—THAT IT PROVIDES

I have before this Congress the bill H. R. 1. It is germane in the consideration of this bill to raise the debt limit to \$210,000,000,000. The bill provides for the issuance of non-interest-bearing, non-negotiable bonds by the 12 Federal Reserve banks to finance the part of the war that would otherwise be financed by the commercial banks and the 12 Federal Reserve banks on interest-bearing bonds.

The bill would prohibit the Treasury from issuing any further interest-bearing bonds to the banks receiving deposits, and would restrict the amount of United States bonds held by any bank to the amount held by such bank on December 31, 1941. The date is an arbitrary one. Any other fair date or fair adjustment of the amount of bonds any bank could hold would be satisfactory.

FEDERAL RESERVE BANKS DISTINGUISHED FROM COMMERCIAL BANKS

First, let us get our definition straight as to the kind of banks that I speak of. The 12 Federal Reserve banks are owned by the private commercial banks of the country. Not one penny of stock in these 12 banks is owned by the United States Government or by the people. The total stock in these 12 banks is about \$150,000,000.

The 14,000 commercial banks include not only the national banks and the State banks that belong to the Federal Reserve System, but also the other banks which accept deposits which are State banks and do not belong to the Federal Reserve System, but practically all of them are insured by the Federal Deposit Insurance Corporation.

NO INTEREST SHOULD BE PAID ON LARGE PART

The money that must be secured by our Government after all the bonds have been sold to the public that can be sold, and all the taxes have been paid that can be collected without injuring our domestic economy, can be secured without an interest charge through the use of the 12 Federal Reserve banks. It is right that the Government use the banks for this purpose, because these 12 banks, although privately owned, operate exclusively upon Government credit. These 12 banks have the power to create the money that is placed in circulation and used by the people. Congress has farmed out to them this great privilege. It is the most valuable privilege any government on earth ever delegated or conveyed to an individual group or corporation.

POWER NOT DISPUTED

The sovereign power of Congress to authorize the program that is proposed in the bill I am discussing is beyond question. No one questions the power of Congress to do what I propose.

SIMPLICITY AND SOUNDNESS OF PLAN

In order to demonstrate the simplicity, desirability, and soundness of the plan, I desire to first analyze the status of the present national debt. It will not be my purpose to quote exact figures since exactness is not required for the purpose of this illustration. Let us assume that the national debt now is a round number—\$100,000,000,000 which is very close to the actual amount. One-half of the amount

is held by individuals and corporations, including mutual-savings banks and life-insurance companies which had the money to lend to the Government in exchange for interest-bearing bonds. The other \$50,000,000,000 is held as follows:

Forty-four billion by the private commercial banks which created the money by a flick of the pen to purchase interest-bearing bonds from the Government and which they now hold.

Six billion has been purchased by the 12 Federal Reserve banks by creating it by a flick of the pen, and is now held by these 12 Federal Reserve banks, and the Government will continue to pay interest on it just the same as if the bonds had not been purchased through the use of the Government's credit.

CREATING MONEY IS ACKNOWLEDGED

For fear that someone will think that I am using a very radical and unorthodox word when I say "create" in connection with the banks' creating money with which to buy Government bonds, I want you to know that the highest and best authorities in our Government and in the United States agree that the commercial banks and the Federal Reserve banks actually create money on the Government's credit in order to buy United States Government bonds. There is no dispute about that question. The Honorable Henry Morgenthau, Secretary of the Treasury, admits it. So does the Honorable Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, and all other informed people.

Therefore, the main point for consideration by this committee is whether or not the 12 Federal Reserve banks and the private commercial banks that create money on the Government's credit, should continue this policy and thereby cause the taxpayers to pay interest on it for generations to come.

HOW GOVERNMENT OBTAINS MONEY NOW

Under the present system if the Government desires more money and it is necessary to borrow the money from the banks, the following procedure is adopted:

First. If it desires, the Treasury can deliver bonds to the 12 Federal Reserve banks directly and receive credit for the amount of the bonds on the books of the 12 Federal Reserve banks. Then as the Treasury pays its debts, checks are given on these 12 Federal Reserve banks and the funds are transferred from the Treasury to the ones receiving the checks. In this way the Government is paying interest to the Federal Reserve banks just the same as it pays interest to the private banks and to individuals, although the Federal Reserve banks operate on the Government's credit. If the receiver of a Treasury check in a case like this desires the money instead of credit in his local bank, he is given Federal Reserve notes. These notes are not obligations of the Federal Reserve banks, they are obligations of the United States Government. Therefore, the Government and Congress, particularly, finds itself in the idiotic position of permitting the Treasury to deliver one form of Government obligation—interest-bearing notes—to the privately owned Federal Reserve banks and receiving credit therefor, and then when the Federal Reserve banks

are called upon for the money they issue another form of Government obligation, Federal Reserve notes, to satisfy the demand. In each case Government obligations are used. The net result is that the taxpayers are paying for the use of their own credit.

This power of selling bonds directly to the Federal Reserve banks by the Treasury is authorized by the Second War Powers Act which became a law March 27, 1942, and can only be used to the extent of \$5,000,000,000. The question is, if it is good money up to \$5,000,000,000 why is it not good money up to \$100,000,000,000? However, this does not stop the Federal Reserve banks from buying \$100,000,000,000 or \$200,000,000,000 of Government bonds in the open market through the Open Market Committee in New York. The restriction of \$5,000,000,000 is only on a direct sale from the Treasury to the Federal Reserve banks.

Second. The other way the Treasury would obtain the money would be to sell interest-bearing bonds of the Government to the 14,000 commercial banks. In a sale of that kind a commercial bank receives the Government bond and gives the Treasury credit upon its books for the amount of the bond. Then when the Government pays its bills it gives checks upon this fund in the local commercial bank. The money has been created by a bookkeeping transaction and it is seldom that the one receiving a check from the Government wants the actual money but desires instead credit at the bank. In that way the money is created on the books of the bank but the actual money is not paid out except to a very limited extent. If the one receiving the check, however, desires the actual money and the local bank does not have the money to pay the check, the local bank can obtain it from the nearest Federal Reserve bank by depositing Government bonds as collateral security. The bank will pay the Federal Reserve bank one-half of 1 percent interest on this money. The Federal Reserve bank will pay the Government 30 cents per \$1,000 for the money. The net result is that the Government has not gotten anything for the sale of bonds to the public and the collection of taxes, that the United States Treasury deliver to the Federal Reserve banks non-interest-bearing, nonnegotiable Government securities or certificates of indebtedness and obtain from the 12 Federal Reserve banks credit for the amount of the bonds or certificates. Then as the Treasury pays its debts checks will be given on these 12 Federal Reserve banks in the same way and manner as if the bonds were interest-bearing. The ones receiving the checks will receive their money and the same kind of money and in the same way and manner as if the bonds were interest-bearing. The result will be, however, that the Government will be saved interest. In this way the Government can pay each year $2\frac{1}{2}$ percent to the Federal Reserve banks on these bonds or certificates and in 40 years the entire debt will be liquidated, whereas under the present plan our Government can pay $2\frac{1}{2}$ percent each year for 40 years as interest and none of the principal of the debt will be paid but all of the debt will still be due at the end of the 40 years.

Mr. DEWEY. May I query the witness at that point on just that use of currency?

The CHAIRMAN. Yes; go ahead.

Mr. DEWEY. Why did not the Government do that in 1907 and 1912, when there was a money panic, before the organization of the Federal Reserve System, and the country went to clearing-house certificates and there wasn't any currency to go around? They had to go to the only thing that existed at that time, which was the clearing house, and they issued real fiat money to take care of the requirements of trade and industry. As the result of that we put in a system known as the Federal Reserve System, which would supply cash and take it off the market when not needed. The Bureau of Engraving and Printing was in existence then. Why didn't the Government go to the Bureau and buy some of this 30-cents-a-thousand currency and just put it out in the country?

Mr. PATMAN. Of course, the gentleman would not seriously insist that I attempt to answer that question. I was only 14 years old at that time.

Mr. DEWEY. Well, that is what you want to have done now, Mr. Patman.

Mr. PATMAN. I don't know what was in the minds of the people who were in charge of our Government at that time. Of course, I know about the clearing-house certificates from reading the history of the 1907 panic, and I well remember it, because it hit us awfully hard in Texas, and we all suffered from the depression down there. I know they used the certificates, but as to why they didn't resort to other means—there are other means that could have been resorted to. This would not be the only one.

Mr. DEWEY. They did resort to other means, by organizing the Federal Reserve System.

Mr. PATMAN. And remember this, Mr. Dewey, that up until 1917 we had never paid any interest hardly on our national debt, only two or three million a year over a period of 125 years.

Mr. DEWEY. We didn't have any national debt.

Mr. PATMAN. Our interest burden has really not been sufficient to attract our attention except during the last 25 years, and for that reason only should a plan like this be considered.

Mr. DEWEY. We didn't have any national debt.

Mr. PATMAN. That is right; we didn't have any national debt. It was very small. But I cannot answer the question as to why people, 35 years ago, did not do so and so, because I have no way of determining it. But I know one thing; their failure to do it is not sufficient to justify us in ignoring it. I am not willing to ignore a good proposition now because it was not adopted 35 years ago.

The CHAIRMAN. One question right there. You mentioned this money that the Bureau of Engraving and Printing gets out, and all the Government gets for it is the cost of the printing.

Mr. PATMAN. Yes, sir.

The CHAIRMAN. You say the Government gets nothing for its credit. The Government isn't out anything.

Mr. PATMAN. It is out its credit. It signed a mortgage; it is behind it. It has pledged all the resources of this Nation to back it up.

The CHAIRMAN. Doesn't it give what Senator Owen and Senator Glass were after, a sound system of banking?

Mr. PATMAN. Certainly.

The CHAIRMAN. That is getting something.

Mr. PATMAN. Certainly; it is a sound system of banking.

The CHAIRMAN. It is put on a national basis.

Mr. PATMAN. That is right.

The CHAIRMAN. And, of course, that was the trouble before. The banks could not get the money. There was no Federal agency, and no means by which they could get money. This provides a sound system of banking; isn't that right?

Mr. PATMAN. Sure; it is a very fine system. I am not opposed to it; I am for it, but in an unusual case like this, why should we burden the taxpayers on a \$300,000,000,000 debt, when we know they will never be able to pay more than just the interest on it? That means a perpetual debt of \$300,000,000,000. That means that any inflation that we have in that \$300,000,000,000 will remain indefinitely, whereas if you adopt a plan of saving the interest on a substantial part of that money, you can reduce it each year by as much at least as you would pay in interest, and then you reduce the inflationary condition each year instead of having it remain the same each year.

The CHAIRMAN. I haven't any disposition to argue with you. I may agree with you when you get through; I don't know. But if the banks were not to get any interest on this money that the Government borrows, how would you get the banks to lend the money? They say, "It is the money of our depositors; we are responsible for it, and if we don't get anything for the use of it we will just not buy the bonds."

Mr. PATMAN. I don't think that question is involved in this at all.

The CHAIRMAN. I don't know why it wouldn't be involved. They won't furnish the money if they're not going to get any interest on it.

Mr. PATMAN. I am not proposing that. I am proposing that the 12 Federal Reserve banks furnish it, not the commercial banks.

The CHAIRMAN. Suppose the Federal Reserve banks balk?

Mr. PATMAN. They can't balk. They are an agency of the Congress. They have to do what Congress says.

The CHAIRMAN. These bonds can't all be held by the Federal Reserve banks; they have to be scattered throughout the country.

Mr. PATMAN. I am afraid we are talking about different things. I am afraid you are talking about the usual industrial or commercial transaction, and I am talking about the Government finances.

The CHAIRMAN. I beg your pardon. I am sorry; I didn't follow you.

Mr. DISNEY. As I understand it, these banks are heavily loaded with Government bonds, so heavily loaded that a sharp decrease in the value of Government bonds would wipe out their capital stock.

Mr. PATMAN. Two or three points decrease would wipe out their capital stock, but there is no danger of that.

Mr. DISNEY. Suppose there was a sharp decrease in the value of Government bonds, that would have a tendency to wipe out a part of the capital stock of the banks, or some of them, and if any sizeable number of them should get in that position, they would be liable to be in trouble and go broke and take the rest of the banks with them. How could we prevent that?

Mr. PATMAN. That is already provided for, Mr. Disney. The Open Markets Committee, which, by the way, has been moved from Washington to New York, has already arranged that any bank in distress can get a hundred cents on the dollar on its bonds any time. There is where the Government's credit comes into play again. They just issue more Federal Reserve notes to buy those bonds, and they are not going to let the banks suffer. They have already told them they will not let them suffer. There is no danger of that at all.

Mr. DISNEY. No danger of Government bonds—

Mr. PATMAN. Declining; absolutely not. It is, in effect, guaranteed by the United States, and there is no danger in the world. In fact, I think it is a good thing, although it is the Government's credit being used again, free. It is perfectly all right.

Mr. KNUTSON. Right at that point, why did Government bonds drop to 82, along in the fall of 1921?

Mr. PATMAN. Because of a situation you gentlemen had vision enough to guard against when this war started. In 1914, when the war started in Europe, and in 1917, when we became engaged in the war, we did not make any provision to protect the people who bought United States Government bonds. They had to sell them in the open market. Consequently, when the war was over, and every one wanted to sell their bonds, naturally the market went down and down, and some of them sold as low as 75 cents on the dollar. It was the crime of the age to permit that to be done. Men in the armed services had paid for their bonds a few dollars a month over a period of time. And when they came out of the service they saw these bond manipulators force the price down to 75. It was absolutely a crime. But you gentlemen provided—and if you will remember, I appeared before this committee in connection with that and invited your attention to it, and asked you, for God's sake, to prevent any such thing happening in the future. Not necessarily because of my testimony did you do it, but you provided, anyway, that now they can get their money 100 cents on the dollar, and the people of this Nation should appreciate what this committee did to initiate that type of legislation which will protect them against that awful crime that happened after the other war.

There is one objection to this plan. Mr. Chairman, not a serious objection, not one that you cannot correct, but it is, I am afraid, an objection.

The CHAIRMAN. Which plan are you talking about?

Mr. PATMAN. This plan I am proposing now.

OBJECTION WORTHY OF CONSIDERATION

One objection is urged against this plan which I think is worthy of the greatest consideration. It is that if the commercial banks buy the bonds a part of the excess reserves of the bank will be used in the transaction, but if the Federal Reserve banks buy the bonds and the money is paid out into the country, it is deposited in the local banks and the excess reserves of the local banks are increased by that much, which will be more inflationary than the sale of the bonds to the local banks.

This objection can be overcome completely by permitting the Board of Governors of the Federal Reserve banks to change the reserve re-

quirements of the local banks. In other words, use the same system to contract the reserves of the local banks that is now being used to expand the reserves of the local banks. Mr. Eccles has testified that the objection can be cured that way.

That is the only real objection that has ever been urged to this plan and upon analysis it becomes an excuse rather than a reason for not approving the plan that will save the taxpayers such enormous sums of money annually.

The CHAIRMAN. Where would the banks get the additional reserve? They can't call in their loans very well. If they did, they would wreck the country. It would embarrass the parties to whom they made loans. Where would they get this extra reserve? I am not trying to argue. If they have to increase their reserves, where would they get the increase?

Mr. PATMAN. I will be glad to answer the gentleman's question. If this plan is adopted and we sell a million dollars' worth of bonds, it will require the Federal Reserve to take a million dollars of bonds that are not interest bearing, and nobody doubts the power of Congress to do that. They all admit it. Raleigh, I guess, is your Federal Reserve bank, is it not?

The CHAIRMAN. No; Charlotte.

Mr. PATMAN. All right; at Charlotte there is a credit of \$1,000,000. When they pay the Postmaster and the rural carriers and the Honorable Bob Doughton their salaries, they will take their checks to the local bank, a commercial bank, and deposit them, and the local commercial bank can use those deposits as excess reserves and purchase any kind of paper, 5, 8, or 10 times as much as that, depending on what the reserve requirements are at that time. I will admit that that will cause an inflationary condition, but you can correct it by changing the reserve requirements of that bank so that it could not lend more than 2 to 1, or 3 to 1, or more than \$1 for one—100 percent reserves. Mr. Eccles suggested that before the Banking and Currency Committee. That would completely stop the inflationary condition and save interest.

The CHAIRMAN. Do you think a bank could live and pay its stockholders any dividends if it were forced to keep such large reserves? They couldn't make any money.

Mr. PATMAN. Oh, they would make money. I provide in this bill that they shall be allowed to take and hold a reasonable amount of bonds. Let them have enough bonds to live and render the fine service they are now rendering, but not let them have unlimited bonds on the Government credit in an unusual critical situation like we are in now, where the war debt must be increased by hundreds of billions. That is just going too far. But I provide in this bill, Mr. Doughton, that they may have as many bonds as they had December 31, 1941, and they had a pretty good supply of bonds.

The CHAIRMAN. How would they get those bonds?

Mr. PATMAN. They could buy them in the open market, or directly from the Treasury.

The CHAIRMAN. Wouldn't they have to draw on their reserves to buy them?

Mr. PATMAN. That would be all right.

The CHAIRMAN. Wouldn't that cut their reserves down? How could you go on the market and buy bonds, and at the same time hold up your reserves?

Mr. PATMAN. I respectfully submit that is no problem in this plan.

The CHAIRMAN. That is not the question I asked. You say they have to have a reserve, and they go into the open market and buy bonds. I say they can't go into the market without reserves.

Mr. PATMAN. They have the money.

The CHAIRMAN. They can't have the bonds and the reserves both. You know that.

Mr. PATMAN. They have plenty of reserves, Mr. Doughton, and I would be in favor of having plenty of reserves. If they want more reserves, they could sell a million dollars' worth of bonds to the open-market committee and get a million dollars in Federal Reserve notes, and then buy \$10,000,000 of United States Government bonds. They will have no trouble in getting reserves.

The CHAIRMAN. Would they be interest-bearing or non-interest-bearing?

Mr. PATMAN. They would be interest-bearing. There is no trouble about reserves. That could be changed up or down, and I am presenting in my testimony here, which I will not take the time to read, evidence along that line.

The CHAIRMAN. Let me see if I understand it. The bonds that the Federal Reserve banks hold would bear no interest, but the bonds that the commercial banks hold would bear interest.

Mr. PATMAN. Yes; you see the commercial banks are entitled to a profit.

The CHAIRMAN. What percentage of the total loan now outstanding would the Federal Reserve have and what percentage would the commercial banks have?

Mr. PATMAN. That depends on how much we spend in the war and on how much the public will buy and the insurance companies and other corporations that have money to buy the bonds with; and, in addition, how much money can be collected in taxes to retire part of it.

The CHAIRMAN. If they bought them all, then you wouldn't have to get any loans from the Federal Reserve?

Mr. PATMAN. I would love to see it that way. If the public and the life-insurance companies and the other people having money would buy it, that is the way to do it. But it will not work. Mr. Chairman; we know it will not work. They don't have the money. It has to be created; so, since it has to be created, should we always pay interest on that part?

The CHAIRMAN. How much do you save—say on \$200,000,000,000, how much do you estimate the Federal Reserve banks would hold on which there would be no interest paid?

Mr. PATMAN. I estimate 50 billion, something like that.

The CHAIRMAN. That is one-quarter.

Mr. PATMAN. Yes; but if you save a quarter of \$4,000,000,000 a year and you have saved \$1,000,000,000, and after this war is over, my dear sir, and when we have industrial activity then the banks will

want to unload these bonds, individuals will want to sell their bonds, and money will have to be created in order to take care of them. Then the Federal Reserve could save more money—I am not trying to hurt the commercial banks, but the chairman of this committee knows—

The CHAIRMAN. How would this money to take up all these bonds be created?

Mr. PATMAN. In the same way and manner it is now created, by just a flick of the pen, if you want to call it that. That is the power of the Federal Reserve banks, to create money. They are doing it to the amount of \$5,000,000,000 now by direct purchases.

The CHAIRMAN. Would it be logical to just create money that way now?

Mr. PATMAN. No, because you would have unlimited inflation, ruinous inflation. I don't want to do that. I would love to sell all the bonds to the public and the corporations having the money to buy, but we cannot sell the bonds that way. The people do not have the money and we have got to create it. I don't want the taxpayers of this Nation to pay interest for the next two or three hundred years. That is the point I am trying to make—just the part that must be created anyway, on the credit of the Government.

The CHAIRMAN. Why not create that independent of the Federal Reserve banks; just leave them entirely out of it?

Mr. PATMAN. Well, that is the best way to do it, I think. You wouldn't have any control otherwise. You have got to have a simple, desirable plan that is sound. I think that is the soundest way to buy them. But it is impossible to sell enough bonds to the public.

Mr. DISNEY. You mean through the Federal Reserve?

Mr. PATMAN. The Federal Reserve. All the bankers tell you that they shouldn't buy these bonds. They know it is highly inflationary. The bankers are patriotic people; they spend their own money to get the public to buy them and they are doing their best to get the public to buy them. But it is impossible to sell enough bonds to the public to finance this war, and a large part of it must be created, and I say the part that must be created on the Government's credit, the Government should not pay interest on.

Let me read you just a few questions and answers, from Mr. Eccles's testimony in 1941, before the Banking and Currency Committee. I am interrogating:

Mr. PATMAN. The stock is less than \$140,000,000 and you do several hundred billion dollars' worth of business a year sometimes, and furthermore, when you actually hold and claim now over \$2,000,000,000 in Government securities which you claim you bought. How did you get the money to buy those \$2,000,000,000 of Government securities?

Mr. ECCLES. We created it.

Mr. PATMAN. Out of what?

Mr. ECCLES. Out of the right to issue credit, money.

Mr. PATMAN. And there is nothing behind it, is there, except the Government's credit?

Mr. ECCLES. We have the Government bonds.

Mr. PATMAN. That's right, the Government's credit.

Mr. ECCLES. That is what your money system is.

There is the highest authority in the Federal Reserve bank. There is no question about this, gentlemen. There is no dispute about what

I am saying. You will not find a witness who will deny what I say. It is undisputed. There is no controversy about it.

Mr. KNUTSON. Does Mr. Eccles endorse your plan?

Mr. PATMAN. Oh, I am sure he wouldn't, because he believes there should be interest paid on all Government bonds. He is opposed to starting any other system. He don't want a change. Ordinarily, that may be right, but when you have such an unusual condition, when our national debt will be 10 times as high as it has ever been in the history of our country, don't you think we should consider any plan that might save the taxpayers money?

Mr. DEWEY. Mr. Patman, you want to create some more money, or funds for the Government in these wartimes. We have been hearing a great deal about this inflationary gap.

Mr. PATMAN. Yes, sir.

Mr. DEWEY. Which is the excess funds in the hands of the public which may come into competition for a large amount of commodities.

Mr. PATMAN. Yes, sir.

Mr. DEWEY. For that reason we are considering increasing the tax bill and enforced savings.

Mr. PATMAN. That is right.

Mr. DEWEY. You want to create more.

Mr. PATMAN. No.

Mr. DEWEY. Why not exhaust that excess spending power of the public before creating new money?

Mr. PATMAN. That is perfectly all right, my dear sir. If you could get the money to finance this war by selling bonds to the public who have the money to buy them, and through the collection of taxes, such as you propose, or in any other way, I am for it. But——

Mr. DEWEY (interposing). It is understood——

Mr. PATMAN. Let me finish. But we have demonstrated we cannot sell enough bonds to the public; we cannot levy enough taxes to balance our expenditures in this war and the difference, my dear sir, has got to be created money on the Government's credit, and my point is what we create on the Government's credit we should not pay interest on for the next two or three hundred years.

Mr. DEWEY. What percentage of the debt was carried by the banks during the last war?

Mr. PATMAN. I don't know, but the last war was merely a fist fight compared to this one, so far as expenditures are concerned.

Mr. DEWEY. In proportion to the national income, the Government bonds sold in the last war was a very small percentage. We sold most of the bonds to the public and I don't see why we couldn't do it this time.

Mr. PATMAN. Well, we can't do it, because the Government knows the people do not have the money.

Mr. DEWEY. We just agreed that the public is in possession of that inflationary gap. That has been brought out by every person that has testified here, from Treasury officials on down.

Mr. PATMAN. Let me read a little more of the testimony of Mr. Eccles, in answer to questions asked him by Mr. Dewey. I have had an awful time getting these things, Mr. Chairman. The witnesses have shown irritation, sometimes, in being compelled to answer questions,

but over a period of years I have gotten the Secretary of the Treasury, Mr. Morgenthau, the Under Secretary, Mr. Bell, and Mr. Eccles and other high officials of the Government to prove every statement that I make concerning this. I mean not my own opinions or conclusions, but statements of fact. I have other testimony to prove it. Let me read Mr. Eccles' testimony when he was interrogated by Mr. Dewey on June 17, 1942 (reading):

Mr. ECCLES. No; the Federal Reserve would buy in the open market. If the Federal Reserve then bought a billion dollars of securities in the open market that would be new Treasury issues. The banks would still hold them, and the Federal Reserve would put into the banks another billion of excess reserves. If they used that billion they could buy 5 billion more of Governments, and you could keep the price up. For every billion of the Federal Reserve banks put in the open market operations, the private banks could buy 5 billion.

Mr. DEWEY. That comes pretty close to some other ideas I have heard.

Mr. ECCLES. I mean they could buy 10 billion. I mean the Federal Reserve when it carries out an open market operation, that is, if it purchases Government securities in the open market, it puts new money into the banks which creates idle deposits.

Mr. DEWEY. There are no excess reserves to use for this purpose.

Mr. ECCLES. Whenever the Federal Reserve System buys Government securities in the open market or buys them direct from the Treasury, either one, that is what it does—

Mr. DEWEY. What are you going to use to buy them with?

Mr. ECCLES. What is who going to use?

Mr. DEWEY. The Federal Reserve to make these purchases.

Mr. ECCLES. What do they always use?

Mr. DEWEY. You are going to create credit?

Mr. ECCLES. That is all we have ever done. That is the way the Federal Reserve System operates. The Federal Reserve System creates money. It is a bank of issue.

What better evidence do you want than that, gentlemen? There is no dispute about what I say, and I insist it is absolutely wrong for this committee to permit this condition to continue and saddle the taxpayers of this Nation with a burden of debt that they will not be able to liquidate in a hundred years or two hundred years.

Do you know that we are carrying a million dollars' worth of bonds that were issued during the War between the States and we have paid 4 billions in interest for every \$1 that was borrowed? We are still paying on them and still owe them. Do you know that on the Panama Canal convertible 3's, we have already paid more than \$50,000,000 in interest and we will soon have paid \$75,000,000 in interest and still owe the \$50,000,000 principal on those bonds? If you judge the future by the past, the people will be compelled to pay a dollar, \$2, and \$5 in interest for every \$1 they borrow. Does any man, then, say that we shouldn't seriously consider any plan that will enable the taxpayers of this Nation to make that payment on the principal of the debt and not on the interest? Two and a half million each year, and in 40 years liquidating the entire debt, and removing that inflationary condition that we will have by reason of the expenditures during this war.

W. L. Hemingway, president of the American Bankers' Association and of the Mercantile-Commerce Bank & Trust Co., St. Louis, in a speech on our national debt before the Chamber of Commerce of the State of New York, in New York City, said:

The war must and will be financed. It can be done in one of three ways—first, by printing paper money, Uncle Sam's demand I O U's. Fortunately this

generation has seen the evils of that route and will have none of it. The second is by borrowing from the Federal Reserve banks directly, but that is but little removed from the paper money way because the Reserve banks would issue the money against the Government's notes or give credit on their books to the Government, which would pay it out for war purposes. It would then flow into the commercial banks increasing their legal reserves, thus inviting further inflation. So we come to the third and least objectionable way, and that is by borrowing from the public and the banks.

Both the Treasury and the banks want to see the banks buy as small a part of the succeeding issues as possible, because both understand that when the banks buy the bonds new bank credit or money is created and remains in circulation until their bonds are paid or taken by the public—an inflationary act to be avoided as much as possible. The banks should be only underwriters and distributors and not permanent investors.

I invite your attention to the following with reference to Mr. Hemingway's statement:

First, he says that banks should not be permanent investors of United States Government bonds.

Second, that it is highly inflationary for banks to buy United States Government bonds.

Third, in the second way, he says the war can be financed by borrowing from the Federal Reserve banks directly, he also says that is but little removed from the paper-money way because the Reserve banks would issue money against the Government's notes or give credit on their books to the Government, which would pay it out for war purposes. He could have very well added that the sale of Government bonds to commercial banks is no further removed from paper money than the sale to Federal Reserve banks if the excess reserves of banks are properly handled.

Reasons why commercial banks should not purchase bonds are contained in a statement of the Secretary of the Treasury issued April 25, 1942. It is as follows:

If the Government is compelled to go to the commercial banks for the bulk of these funds, the result will be to increase inflationary tendencies which are already serious. This is true because when commercial banks buy Government bonds they do not pay for them with actual cash taken from their vaults, but by placing on their books newly created deposits to the credit of their Government. When the Government draws upon those deposits to pay for the goods and services it buys, the purchasing power of those to whom these payments are made is increased without any decrease in the purchasing power of those from whom the money is borrowed.

When Mr. Eccles, chairman of the Board of Governors of the Federal Reserve System was before the Banking and Currency Committee, September 30, 1941, I interrogated him at length about the banks creating money on the Government's credit.

When Mr. Morgenthau, Secretary of the Treasury, and Mr. Bell, his Under Secretary, were before the Banking and Currency Committee on September 24, 1941, testifying on the price-control bill, I interrogated Mr. Morgenthau about banks creating money. He suggested that Mr. Bell, his Under Secretary, answer the questions. Mr. Bell was sitting by Mr. Morgenthau's side and the following questions were asked and the following answers were given, as disclosed on page 1132, volume 2, of the printed hearings on that bill:

Mr. PATMAN. In other words, when you sell a Government bond to a commercial bank, you allow the bank then to create the money.

Under Secretary BELL. That is right. We want to avoid that, as far as we can.

Mr. PATMAN. By a bookkeeping transaction?

Under Secretary BELL. Yes, sir; in the first instance.

Mr. PATMAN. And that increases the supply of money, just as much as if the country issued greenbacks directly?

Under Secretary BELL. It increases the supply of money, but I would not say it has the same effect.

Mr. PATMAN. It increases the supply of money to exactly the same amount as if the Government issued the credit directly?

Under Secretary BELL. That is probably right.

I doubt that anyone would want any higher authority on the question of commercial banks creating money to buy Government bonds than the testimony just quoted.

When Mr. Marriner S. Eccles, chairman of the Board of Governors of the Federal Reserve System, testified before the Banking and Currency Committee of the House, June 24, 1941, the following questions were asked and the following answers given, at page 68 of the printed hearings on S. 1471, a bill to amend the Federal Reserve Act.

Mr. PATMAN. Going back to this issue as to the Government's credit, is it a fact that the \$20,000,000,000 that the commercial banks of the country hold today in United States Government bonds were purchased with created money?

Mr. ECCLES. Is it not a fact that what?

Mr. PATMAN. The \$20,000,000,000 of Government bonds, approximately, that they purchased these bonds with created money.

Mr. ECCLES. What 20 billion of bonds?

Mr. PATMAN. That the banks hold today; approximately—between 19 and 20 billion dollars.

Mr. ECCLES. I do not know exactly what the banks hold.

Mr. PATMAN. Well, that is not the main point. In other words, the bonds that the banks hold today—they created the money to buy those bonds, did they not?

Mr. ECCLES. The banking system as a whole creates and extinguishes the deposits as they make loans and investments, whether they buy Government bonds or whether they buy utility bonds, or whether they make farmers' loans.

Mr. PATMAN. I am thoroughly in accord with what you say, Governor, but the fact remains that they created the money, did they not?

Mr. ECCLES. Well, the banks create money when they make loans and investments.

Mr. PATMAN. All right; and these Government bonds were one of the investments.

Mr. ECCLES. That is correct.

Mr. PATMAN. Now we are back to where we were. The banks created the money to buy \$20,000,000,000 or whatever it was in Government bonds. Therefore it has increased the available money supply by \$20,000,000,000 did it not?

Mr. ECCLES. Yes; that is true, if those are the figures representing the increase in commercial banks. I think those figures are excessive.

Mr. PATMAN. It is over 19 billion, anyway?

Mr. ECCLES. I think those figures represent a large investment of savings funds.

Mr. PATMAN. I believe they do. Anyway, the commercial banks when they buy bonds or anything else, create the money, so to speak, to buy them with?

Mr. ECCLES. That is right.

Mr. Eccles testified before the Banking and Currency Committee June 17, 1942, on a bill to amend the Federal Reserve Act. His testimony which appears at page 15 of the hearings, discloses that commercial banks can buy all the bonds they desire to buy and if they are called on for money to pay their depositors the nearest

Federal Reserve bank can always furnish them the money they need. His testimony is as follows:

Mr. PATMAN. Is it not a fact that you did send out letters to the banks which made the statement that the Federal Open Market Committee was ready to buy all the bonds at par?

Mr. ECCLES. No, sir; not buy, but we adopted a policy, each bank did, that would loan par on them.

Mr. PATMAN. That would loan par on Government securities?

Mr. ECCLES. Yes.

Mr. PATMAN. Do you charge the interest rate that is effective in that particular Federal Reserve district?

Mr. ECCLES. One percent.

Mr. PATMAN. One percent?

Mr. ECCLES. Yes.

Mr. PATMAN. Have you ever told all the banks that you stand ready to make loans at par at a 1 percent interest rate?

Mr. ECCLES. Each Federal Reserve bank has done that.

Since Mr. Eccles testified, the interest rate has been reduced to one-half of 1 percent. It is doubtful that the banks will need the money, but if they do the Government, through the Bureau of Engraving and Printing, will furnish it to them. The Federal Reserve banks will pay 30 cents per \$1,000 approximately, for the currency, and the commercial banks will pay \$50 per \$1,000 interest per year, but will continue to receive interest on the bonds that they deposit with the Federal Reserve banks to obtain the money at one-half of 1 percent.

Mr. Eccles' testimony before the Banking and Currency Committee, June 17, 1942, commencing at page 16 of the hearings on the bill to amend the Federal Reserve Act, is as follows:

Mr. PATMAN. What are the excess reserves on the money market at the present time?

Mr. ECCLES. They are running around two billion five hundred million.

Mr. PATMAN. How much could they buy in Government bonds if they were to use the excess reserves to the limit?

Mr. ECCLES. About \$12,000,000,000.

Mr. PATMAN. \$12,000,000,000?

Mr. ECCLES. Yes, sir; that is, assuming that the deposit structure and the present structure does not change.

Mr. PATMAN. It would be about \$12,000,000,000.

Mr. ECCLES. Yes; you see, the Federal Reserve requirement is about 20 percent.

Mr. PATMAN. Yes, sir.

Mr. ECCLES. For the country it is 14, and for the central Reserve cities it is 20, and for the Reserve cities it is 26, so that we figure in about a 20-percent reserve requirement, so that on the basis of \$2,250,000,000, if that were all fully utilized on the fractional reserve basis, I would estimate that they could buy about \$12,000,000,000 worth of Governments, that is, if it were utilized fully and completely through the entire reserve, all the banks.

Mr. PATMAN. Suppose today they bought those \$12,000,000,000 of bonds, what would they have back of those bonds to support them in addition to what they have now? In other words, what increased assets would the bank have except the Government bonds?

Mr. ECCLES. They would have the Government bonds themselves, which would be an asset, and they would have a liability, however, in the form of a deposit.

Mr. PATMAN. That is right.

Then further:

Mr. PATMAN. Let us suppose that the banks are called upon to buy \$12,000,000,000 of Government bonds today. That consumes all their excess reserves. If you wanted to increase their excess reserves in order to buy another \$12,000,000,000 of Government bonds, how would you do that, through the Federal Open Market Committee?

Mr. ECCLES. We might decrease the reserve requirements.

Mr. PATMAN. How would you decrease them?

Mr. ECCLES. I think it runs between \$5,000,000,000 and \$6,000,000,000.

Mr. PATMAN. Between \$5,000,000,000 and \$6,000,000,000?

Mr. ECCLES. Yes; somewhere between \$5,000,000,000 and \$6,000,000,000.

Mr. PATMAN. If it were decreased as you suggest, that would enable you to buy how many bonds?

Mr. ECCLES. If we decreased it to the full amount, then the reserve requirements are 10 percent instead of 20 percent, and you can buy about 10 to 1.

Mr. KEAN. What does change it from 5 to 1 to 10 to 1? Would you explain that again?

Mr. ECCLES. As it is, the requirements of the Federal Reserve Bank System of the country as a whole are about 20 percent. If we changed the reserve requirements to the full amount we could then say the reserve requirements are only 10 percent instead of 20 percent, and you can get about 10 to 1, and that would be about \$50,000,000,000.

Mr. PATMAN. After you have already reduced the reserve requirements of the banks and have bought these \$50,000,000,000 in bonds, if you need to buy still more, how would you handle the others? Suppose you wanted to call upon them to buy \$25,000,000,000 more in bonds?

Mr. ECCLES. We would carry it on then, if it were necessary, by an open-market operation.

Mr. PATMAN. In other words, you would buy a billion dollars' worth of bonds. What would be the effect of that billion dollars on the banks?

Mr. ECCLES. If they could get a billion dollars they could buy up about \$10,000,000 in bonds.

June 19, 1942, Mr. Eccles testified before the Banking and Currency Committee of the House on the amount of Government bonds that any bank could purchase. His testimony is as follows, at page 41 of the hearings on the bill to amend the Federal Reserve Act.

Mr. PATMAN. In the bill we passed here a few days ago, creating the Smaller War Plants Corporation, there was an amendment offered by the gentlewoman from Illinois, which was adopted and it is now a part of the law, providing that there should be no limitation on the amount of a loan to any person or corporation by any bank, providing, of course, that the loan is guaranteed by the Government, or some agency of the Government.

Have you given consideration to that amendment, Mr. Eccles?

Mr. ECCLES. Are you referring to the technical aspects of it?

Mr. PATMAN. No; I am talking about—suppose a bank had a capital stock of \$250,000, should they, under this amendment, negotiate a loan for say \$5,000,000 if it is guaranteed by the Government or some agency of the Government?

Mr. ECCLES. It would take the limit off. There is no limit to the amount of Government bonds, for instance, that a bank can buy. Its only limit is its supply of funds.

Mr. PATMAN. You mean there is no limit now?

Mr. ECCLES. That is right.

Mr. PATMAN. This amendment did not cause that—it was already that way.

Mr. ECCLES. No; the difference is—there has been no question about direct obligations of Governments. This was simply a case of recognizing the loans which were guaranteed as having the same status as a direct Government obligation.

On the same day Mr. Eccles testified, at page 25 of the hearings:

Mr. PATMAN. Mr. Eccles, the day before yesterday I had gotten down to the point where, if we needed more money, one way to give the banks extra reserves to purchase Government bonds would be for the Open Market Committee to buy Government bonds in the open market, and I suggested if you bought for the Federal Reserve bank one billion dollars' worth of bonds, that would automatically create a billion dollars of reserves in the banks, and, after the reserves had been reduced to 50 percent, the maximum that would enable the banks to purchase \$50,000,000,000 worth of bonds. Now, let us assume that has happened—

Mr. ECCLES. \$10,000,000,000 worth by the purchase of a billion dollars' worth of bonds in the market?

Mr. PATMAN. I got the two mixed up. The purchase of a billion dollars' worth of bonds in the market, after the excess reserves had been reduced, will enable the banks to buy ten billion?

Mr. ECCLES. That is right.

Mr. PATMAN. Where the fifty billion came in was if you would automatically reduce the reserves now, which you have a right to do, that would give them \$5,000,000,000 of excess reserves, which they could use to purchase \$50,000,000,000 worth of bonds.

Mr. ECCLES. That is right.

Mr. PATMAN. Now let us assume that we not increase the reserves in the banks, and you go into the market and buy a billion dollars' worth of bonds; you buy them with Federal Reserve money, do you not?

Mr. ECCLES. Well, we buy them with Federal Reserve credit.

Mr. PATMAN. I know; but suppose the banks call for the money, you issue Federal Reserve notes, do you not?

Mr. ECCLES. What we do, if we purchase Government securities in the market, is we credit the account of the bank that turns them in. They usually come through the banks.

Mr. PATMAN. That is right.

Mr. ECCLES. Even though they may be individuals who are selling the securities; and we debit the bond purchase account, showing that the Federal Reserve has a liability to the banks to the extent of \$1,000,000,000, which represents their reserves on the one hand, and that they own \$1,000,000,000 of bonds in what we call the portfolio, on the other hand.

Mr. PATMAN. I know in practice that is exactly the way it is done, Mr. Eccles, but suppose the banks want the billion dollars in currency, you would pay it in Federal Reserve notes, would you not?

Mr. ECCLES. That is right.

Mr. PATMAN. Those Federal Reserve notes, as we have often discussed, are obligations of the United States Government?

Mr. ECCLES. That is right.

Mr. PATMAN. Then you use those Government obligations to buy interest-bearing Government obligations and you place them with the Federal Reserve banks—12 of them?

Mr. ECCLES. That is right.

Mr. PATMAN. And they would continue to receive interest on those Government obligations as long as they were outstanding?

Mr. ECCLES. That is right.

On June 17, before the same committee, at page 21 of the hearings on the bill to amend the Federal Reserve Act, Mr. Eccles testified:

Mr. ECCLES. No; the Federal Reserve would buy in the open market. If the Federal Reserve then bought a billion dollars of securities in the open market that would be new Treasury issues. The banks would still hold them, and the Federal Reserve would put into the banks another billion of excess reserves. If they used that billion they could buy five billion more of Governments, and you could keep the price up. For every billion of the Federal Reserve banks put in the open market operations, the private banks could buy five billion.

Mr. DEWEY. That comes pretty close to some other ideas I have heard.

Mr. ECCLES. I mean they could buy ten billion. I mean the Federal Reserve when it carries out an open-market operation, that is, if it purchases Government securities in the open market it puts new money into the banks which creates idle deposits.

Mr. DEWEY. There are no excess reserves to use for this purpose.

Mr. ECCLES. Whenever the Federal Reserve System buys Government securities in the open market or buys them direct from the Treasury, either one, that is what it does—

Mr. DEWEY. What are you going to use to buy them with?

Mr. ECCLES. What is who going to use?

Mr. DEWEY. The Federal Reserve bank to make these purchases.

Mr. ECCLES. What do they always use?

Mr. DEWEY. You are going to create credit?

Mr. ECCLES. That is all we have ever done. That is the way the Federal Reserve System operates. The Federal Reserve System creates money. It is a bank of issue.

Mr. Allan Sproul is president of the New York Federal Reserve Bank, which is manager of the open-market system for the Federal Reserve System. On January 18, 1943, he addressed the bankers of the State of New York and stated:

Reserve banks are backing the commercial banks in investing to the limit in war financing.

Further it was said in his speech:

President of New York bank tells bankers of New York State that the Federals are here to save them from embarrassment if withdrawals reduce reserves.

In other words, the Federal Reserve System will continue to furnish all the money that the private banks need to pay their depositors in the event that it is needed and then they can purchase all the bonds they want to purchase with the assurance that the Government printing presses will protect them.

The Federal Reserve Bank of New York is acting as the manager of the Federal Reserve's open market system. This system is the most powerful factor in the money market in the United States. Washington authorities often do not know of important rules and regulations that the New York bank has put into effect until long afterward.

In connection with the question of how excess reserves are manipulated in order to permit commercial banks to buy additional bonds, the following is quoted from the bulletin published by the National City Bank of New York, October 1942.

In order to provide the additional funds required, the Federal Reserve banks have bought over \$1,000,000,000 of Government securities in the open market since April, and have twice reduced the percentages of required reserve against deposits of member banks in the central reserve cities of New York and Chicago. The latter action followed enactment of legislation in July authorizing the Reserve Board to reduce reserve requirements for the rest of the country; and the reductions were confined to New York and Chicago by reason of the drain imposed upon these centers by the steady flow of funds to areas where war industries are located.

The first reduction, from 26 to 24 percent against net demand deposits, came on August 20, and released approximately \$345,000,000 of reserves in New York City and \$70,000,000 in Chicago. Within less than a month—on September 14—the second reduction, from 24 to 22 percent, was ordered, adding about the same amounts to excess reserves, on September 23, the "excess" totals in the two main financial centers were again approaching their earlier lows, while the total of slightly over \$2,000,000,000 reported for all member banks was the lowest since 1938.

When Dr. E. A. Goldenweiser, Director of Research and Statistics for the Board of Governors of the Federal Reserve System, testified before the Banking and Currency Committee of the House on October 1, on the price-control bill, the following questions were asked and the following answers given, page 1538, volume 2, of the hearings.

Dr. GOLDENWEISER. The total reserves of the Federal Reserve are about 20½ billion, not 23 billion.

Mr. PATMAN. I am talking about the total gold supply that is either owned by the United States Government or claimed by the Federal Reserve banks through the—

Dr. GOLDENWEISER. The amount of the stabilization fund is not available to the Federal Reserve.

Mr. PATMAN. No; but I am presuming that it will be available. That will be 23 billions?

Dr. GOLDENWEISER. All right.

Mr. PATMAN. That leaves 16 billions unattached?

Dr. GOLDENWEISER. Yes.

Mr. PATMAN. How much bonds could the Federal Reserve Open Market Committee buy in the United States, Government bonds, based upon that?

Dr. GOLDENWEISER. It depends on how much of it will be in deposits and how much in notes. But, roughly speaking, about three to three and a half times.

Mr. PATMAN. Three and a half times?

Dr. GOLDENWEISER. No; not three and a half times. From two and a half to three times.

Mr. PATMAN. That would be about \$40,000,000,000?

Dr. GOLDENWEISER. That is right.

Mr. PATMAN. When that money is paid out, suppose they pay it to the commercial banks, they could expand about five to seven to one on that, couldn't they?

Dr. GOLDENWEISER. If they paid that much assessment.

Mr. PATMAN. Yes; they would have the power to under the existing law?

Dr. GOLDENWEISER. That is right.

Mr. PATMAN. That means that, say, an average of six times—that is about right now, isn't it—about six?

Dr. GOLDENWEISER. Approximately.

Mr. PATMAN. That means that they could inflate about \$240,000,000,000 more?

Dr. GOLDENWEISER. That is right.

It will be noted that the Federal Reserve banks and the commercial banks could expand their deposits sufficiently to purchase \$240,000,000,000 worth of Government bonds at the time Dr. Goldenweiser testified. When the reserves are reduced to the limit that they can be reduced, these banks may purchase as much as \$480,000,000,000 of Government bonds without having any more capital stock or assets than they now have except, of course, as Mr. Eccles always adds, that they will have the Government bonds.

The taxpayers have paid at least \$4 for every dollar that was borrowed on the \$1,000,000 now outstanding on the debt created during the War between the States. It is possible that the taxpayers will pay several dollars for each dollar borrowed before the debt is fully liquidated.

In the hearings on the price control bill, in 1941, volume 2, commencing on page 1354, the following testimony appears:

Mr. Chairman, I desire to insert in the record two questions that I have submitted to Mr. Morgenthau, under date of February 4, 1941, and his answers under date of February 15, 1941.

The CHAIRMAN. They will be incorporated in the record.

Mr. PATMAN. I asked Secretary Morgenthau the following question:

"Your annual report for the year ending June 30, 1940, on page 730 discloses that there are outstanding now \$758,945,800 in Treasury bonds that were issued October 16, 1922, and bearing 4½ percent interest. Please advise how much interest the Government will have paid on these bonds by October 15, 1947, and also by October 15, 1952."

Mr. Morgenthau's answer was as follows:

"The annual interest charge on the 759.9 million dollars of 4½ percent Treasury bonds of 1947-52 outstanding on June 30, 1940, is 32.3 million dollars. For the 25-year period from their date of issue to their first call date, October 15, 1947, the total interest payments with respect to the amount of bonds outstanding on June 30, 1940, would be about \$66.4 million dollars; and for the 30-year period from date of issue to final maturity on October 15, 1952, would be about 967.7 million dollars."

Mr. PATMAN. Then I asked this question:

"On the same page of the same report it is disclosed that there are \$49,800,000 of Panama Canal loan bonds outstanding, which were issued June 1, 1911, and are redeemable or payable June 1, 1961, with a rate of interest of 3

percent. Please advise how much interest has been paid on these bonds to date and how much will have been paid by June 1, 1961."

And his answer was:

"The annual interest charge on these 49.8 million dollars of 3 percent Panama Canal bonds of 1961 outstanding on June 30, 1940, is about 1.5 million dollars. For the 29½-year period from their date of issue to December 1, 1940, the total interest payments with respect to the amount of bonds outstanding on June 30, 1940, would be about \$44,000,000; and for the 50-year period from date of issue to maturity on June 1, 1961, would be about \$75,000,000."

It will be noticed that in each of the cases inquired about the interest charges will be considerably in excess of the principal amount borrowed. This is typical of long-term bonds. Almost invariably the taxpayers are compelled to pay more interest than the amount of the principal on all long-term bonds, not only Federal, but also States and cities. In the case of the Panama Canal bonds, the taxpayers will be required to pay \$75,000,000,000 in interest by the time the bonds are due and will then still owe the \$49,800,000 originally borrowed. Other similar instances could be cited.

Mr. ROBERTSON. Mr. Chairman, I would like to ask a question. Mr. Patman, as you probably know, some have been unkind enough to refer to your plan as the issuance of printing-press money. Now, in order to get the difference between your plan and printing-press money, will you give us a plain and concise definition of printing-press money?

Mr. PATMAN. That depends on which plan you are talking about. You know, you couldn't have any more printing-press money than you are using today. If you think we are slipping into greenbackism, you can say we have already slipped, because that is what we are using now for money. It is just one of those obnoxious terms that people are wont to use against any plan they do not favor.

Mr. KNUTSON. Mr. Patman, I have heard it charged—I don't know but what I have heard you say it, that up to 1862 some similar plan to what you propose was before the Treasury Department in this country.

Mr. PATMAN. No, I don't think so, Mr. Knutson, but I will say this; that in 1861-65 there were \$356,000,000 of money issued, and on a 5-percent annual-interest basis, more than \$11,000,000,000 of interest on that money has been saved and the money is still outstanding, and that is just an example of what can be saved if you adopt this plan instead of committing the taxpayers to forever paying interest on this debt.

Mr. KNUTSON. I am asking for information. What was the market history of that money?

Mr. PATMAN. You mean the United States notes?

Mr. KNUTSON. Yes; the greenbacks.

Mr. PATMAN. Well, they went down when they had no support behind them at all, and when they could be used only for a limited purpose.

Mr. KNUTSON. How far down did they go?

Mr. PATMAN. I don't know. They went down——

Mr. KNUTSON. Thirty-five cents?

Mr. PATMAN. Then the Government made them good for all purposes and placed some gold behind them. Of course, there is no danger on earth of any money outstanding. Take Federal Reserve

notes, there is some criticism about those. There is no danger of those notes going below par. They will always be worth a hundred cents on the dollar. Those notes happened to be issued because they had them printed over there—I am giving you my opinion only. They may have had a different reason for it—and it is true they are obligations of the Federal Reserve banks. The Government permits the Federal Reserve banks to issue notes on the Government credit to the extent of tens of billions of dollars, so why should the Federal Reserve banks object to these notes being in circulation, which are obligations of the Federal Reserve banks to the extent of two-thirds of a billion dollars?

Mr. KNUTSON. It is my recollection those notes went down to thirty-five cents, around 1864.

Mr. PATMAN. I am sure they went down.

Mr. KNUTSON. Between 1864 and 1867.

Mr. PATMAN. There was nothing to keep them from it, when they were only good for a limited purpose.

Mr. KNUTSON. What was the limited purpose?

Mr. PATMAN. I don't know, it has been so long since I read their history, but I know they were restricted in use, and they went down. Senator Owen could tell you.

Mr. KNUTSON. They were currency. The greenbacks that were issued during the War between the States were currency and circulated as such. I don't think there was any restriction on its use, how the money could be used.

Mr. PATMAN. Well, I hope the gentleman would not want to use that as a reason why this plan should not be adopted.

Mr. KNUTSON. The only reason I inquire is that I was in Germany immediately following the war, and I will never forget that I had to pay 1,250,000 marks, that had a normal value of one-quarter in dollars, which would be about \$300,000, for a breakfast consisting of half an orange, a very small piece of ham, one egg, dry toast, and a cup of coffee that I couldn't drink. I thought it was a little bit excessive. I don't need to argue with you that we all want to get out of this debt as easily as we can. I am not saying you haven't got a plan, because I don't know enough about it. It is my understanding, or at least I have read somewhere, that Germany went into this war with about \$28,000,000,000 gold reserves; is that correct?

Mr. PATMAN. It couldn't have had that much gold reserves; there isn't that much in the world, 28 billion.

Mr. KNUTSON. Twenty-eight million, I meant.

Mr. PATMAN. Excuse me, I thought you said billion. I wouldn't be surprised. They had a small gold reserve.

Mr. KNUTSON. If that be true, and they financed the war through taxing resources to the utmost, as against wealthy nations like America, Great Britain, Russia, and China, it does look to me as though we should be able to find a way of working out of this thing without placing too great a strain upon our economy. I can't say you haven't got a good plan, Mr. Patman, because I don't know. I have been listening to you with a great deal of interest, and I am sure I represent every member of this committee when I say we want to finance this war in the very easiest way possible.

Mr. PATMAN. I join you in that hope.

Mr. KNUTSON. And we appreciate your taking the time to come before us this morning and explain your plan.

Mr. PATMAN. May I suggest about this German money; Germany doesn't have any gold reserve, hardly. Gold reserve is not so important now as the integrity of the nation and the taxing power and the ability of the people to pay taxes and debts. That means more than any metallic substance that may be behind any government obligation. When the war was over, Germany was a conquered country. We don't have to go to Germany to find out about money or currency. Go to the Confederate States of America, after the War between the States, and you will find currency just as worthless.

Mr. KNUTSON. Germany isn't a comparable country—

Mr. PATMAN. No; but Germany is financing her debt without gold by only the credit of the Nation. That is all that is behind money, the integrity of the nation, the ability of the people to pay taxes.

Mr. ROBERTSON. Doctor Hanson, of Harvard, agrees with that theory. He said Germany financed its war without money, but added that it took over the manpower and resources of the nation.

Mr. PATMAN. Manpower would have no connection with this, I will say to the gentleman from Virginia.

Mr. ROBERTSON. That is the way Germany proposed to finance its war without money, and some economists say we could do it.

Mr. PATMAN. We are fortunate in that we can finance it in a way just as convenient and not take over the manpower, as Germany did. We can get all of the benefits, without any of the liabilities.

(The following matter was submitted for the record by Mr. Patman.)

EDISON'S VIEWS ON THIS SUBJECT

About 20 years ago Mr. Thomas A. Edison was inspecting Muscle Shoals. He remarked that the Government should operate that great project in the interest of the people. He was asked if he favored the Government borrowing the \$30,000,000 necessary to make repairs. His answer substantially was: "No; why should the Government borrow its own credit? If it issues tax-exempt interest-bearing bonds and sells the bonds to Wall Street bankers to get the money, by the time the bonds are paid the bankers will have collected as much in interest as the Government received on the bonds. In other words, the bankers, who will not furnish an ounce of material or a lick of labor, will get as much out of it as the men who do the work and furnish the material." Mr. Edison also said at the same time: "Any government that can issue a dollar bond, interest bearing, that is good can issue a dollar bill, noninterest bearing, that is good; the only difference is the bill is easier to redeem because it does not draw interest." No one can answer Mr. Edison's argument. This same argument can consistently be made on our present program.

ECCLES AGAIN QUOTED ON MONEY CREATION

Chairman Marriner S. Eccles, the top authority of the Federal Reserve Board here in Washington, testified before the Banking and Currency Committee of the House during the hearings on the Banking Act of 1935, on private banks creating deposits and thereby becoming virtually private individual mints, as follows:

"In purchasing offerings of Government bonds, the banking system as a whole creates new money or bank deposits. When the banks buy a billion dollars of Government bonds as they are offered—and you have to consider the banking system as a whole, as a unit—the banks credit the deposit account of the Treasury

with a billion dollars. They debit their Government-bond account a billion dollars, or they actually create, by a bookkeeping entry, a billion dollars."

By a sort of magic the money is created.

CONSTITUTIONAL MANDATE

The framers of the United States Constitution, in article I, section 8, very wisely said:

"Congress shall have the power to coin money and regulate the value thereof."

This provision of the Constitution is mandatory. All Members of Congress are sworn to uphold the Constitution. Why has this provision never been carried out? The answer is simple. In the early days of our national existence the people were deceived into believing that the subject of money was so mysterious and intricate that only a few of the financiers understood the subject, and therefore the great privilege of issuing and distributing money should be farmed out to them. This was done, and it has never been changed, except to give them more power and authority. The strange part of it all is that the ones who are the beneficiaries of this great privilege are not even charged with the duty of furnishing the people a sufficient circulating medium.

LEON HENDERSON'S TESTIMONY ON NO DEBTS, NO MONEY

In the hearings before the House Banking and Currency Committee on the price-control bill, the following questions were asked by me and the following answers given by Mr. Leon Henderson (pp. 981-982):

"Mr. PATMAN. * * * You stated yesterday that everybody should take advantage of this period of rising prices to pay their debts. You really don't believe everybody should pay their debts, do you? If you mean that, what would we do for money, since our money is based on debt?"

"Mr. HENDERSON. I have been through that, the same as you have, and I don't believe our economy would come to a halt if people paid their debts."

"Mr. PATMAN. If everybody paid their debts?"

"Mr. HENDERSON. If you are going to say that I have discounted the trade acceptances which the Federal Reserve has created by a couple of bookkeepers, that is not the connotation debt has for me."

"Mr. PATMAN. You had in mind individual debts, personal debts?"

"Mr. HENDERSON. Yes."

"Mr. PATMAN. And if the policy is good for individuals, why isn't it good for corporations?"

"Mr. HENDERSON. I think it is."

"Mr. PATMAN. All right. If everybody paid their debts, where would you get money to carry on business?"

"Mr. HENDERSON. You would get into debt and come out again. I assume the healthy process of credit is that you do liquidate debt as you do the trade acceptances."

Mr. Speaker, Mr. Henderson's very clever reply was, in effect, that it is all right to pay the debts, but you should get right back into debt again in order for the country to have this circulating medium.

CHAIRMAN MARRINER S. ECCLES' TESTIMONY ON NO DEBTS, NO MONEY, IN HIS TESTIMONY ON THE PRICE-CONTROL BILL BEFORE THE BANKING AND CURRENCY COMMITTEE

Chairman Eccles, of the Federal Reserve Board, testified as follows, page 1238 of the hearings, September 30, 1941:

"Mr. PATMAN. * * * You made the statement that people should get out of debt instead of spending their money. You recall that statement, I presume?"

"Mr. ECCLES. That was in connection with installment credit."

"Mr. PATMAN. Do you believe that people should pay their debts generally when they can?"

"Mr. ECCLES. I think that depends a good deal upon the individual; but, of course, if there were no debt in our money system—"

"Mr. PATMAN. That is the point I wanted to ask you about."

"Mr. ECCLES. There wouldn't be any money."

"Mr. PATMAN. Suppose everybody paid their debts, would we have any money to do business on?"

"Mr. ECCLES. That is correct.

"Mr. PATMAN. In other words, our system is based entirely on debt."

Mr. Speaker, there can be no dispute about the statement that our system is based entirely upon debt, and if a person and corporation paid their debts we would not have sufficient money to do business on.

If we were to change that system the Government would pay its own money into circulation, and the people would be saved billions of dollars a year in interest.

The Federal Reserve Banking System is privately owned. Not \$1 of the stock is owned by the Government or by the people; it is owned by private banking corporations. It is a corporation owned by corporations. Many people believe that the Federal Reserve Banking System is owned by the Government because it is named Federal, but of course this is not true.

CREATE MONEY, BUY BONDS, AND COLLECT INTEREST

When the Honorable Marriner S. Eccles, Chairman of the Federal Reserve Board, was before the Banking and Currency Committee of the House, of which I am a member, on Tuesday, September 30, 1941, I interrogated him about how he obtained for the 12 Federal Reserve banks the \$2,000,000,000 in Government bonds, which the System is now holding and charging the Government interest thereon. The questions and answers appear in the printed testimony, volume 2, page 1342, and is as follows:

"Mr. PATMAN. * * * How did you get the money to buy those \$2,000,000,000 of Government securities?

"Mr. ECCLES. We created it.

"Mr. PATMAN. Out of what?

"Mr. ECCLES. Out of the right to issue credit, money.

"Mr. PATMAN. And there is nothing behind it, is there, except the Government's credit?

"Mr. ECCLES. We have the Government bonds.

"Mr. PATMAN. That's right; the Government's credit."

Mr. Speaker, the Government is now paying between forty and fifty million dollars a year to the Federal Reserve Banking System as interest on these bonds. The expenses, dividends, and profits of the System are paid in that way. It would be just as reasonable for each department of our Government to be allowed to purchase enough Government bonds to pay their expenses the same way. It would be just as reasonable for the Government to set aside enough interest-bearing bonds to each Federal employee to pay the Federal employee interest sufficient to pay his salary as it is for the Federal Reserve Banking System to get their expenses paid in that way.

Under our present system the Federal Reserve banks can purchase twenty-five or fifty billion, a hundred billion, or an unlimited amount of Government bonds the same way they purchased and then held the \$2,000,000,000. The System now owns about \$6,000,000,000 in United States securities acquired the same way. Officials of the Federal Reserve System are paid salaries up to \$50,000 a year.

Commercial banks that obtain a large part of their earnings from United States bonds bought with created money paid their officials up to \$175,000 a year.

(Article from the Congressional Record submitted by Mr. Patman follows:)

WAR DEBT CAN BE PAID IN 40 YEARS WITHOUT UNBEARABLE BURDEN ON TAXPAYERS BY CONGRESS USING THE GOVERNMENT'S CREDIT AND IDLE GOLD INSTEAD OF CONTINUING TO FARM IT OUT TO SPECIAL PRIVATE CORPORATE INTERESTS

"[H. R. 1, 78th Cong., 1st sess., Jan. 6, 1943]

"A BILL Providing for the issuance of nonnegotiable United States bonds to Federal Reserve banks and terminating the authority of the Treasury to issue other interest-bearing obligations of the United States to commercial banks, and for other purposes

"*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury, with the approval of the President, is authorized to issue from time to time United States bonds, the proceeds of which shall be available to meet any public expenditures authorized by law and to retire any outstanding obligations of the United States bearing interest or issued on a discount or on a combination interest-bearing and*

discount basis. Such bonds shall be issued in such form or forms and in such denominations, and mature at such times (not in excess of 40 years from the date of issue) as the Secretary of the Treasury may prescribe. Such bonds shall not bear interest or be issued on a discount basis and shall not be negotiable or transferable.

"SEC. 2. Bonds issued under the provisions of this act shall be issued solely to Federal Reserve banks and shall be subscribed for by the various Federal Reserve banks in such proportions of the entire issue as may be agreed upon by the Secretary of the Treasury and the Board of Governors of the Federal Reserve System. The Secretary of the Treasury shall pay, out of any funds hereafter appropriated for such purpose, to each Federal Reserve bank subscribing to bonds issued under this act, such amounts as he deems necessary to reimburse such bank for any expenses incurred by it in connection with such bonds.

"SEC. 3. The authority of the Secretary of the Treasury to issue any interest-bearing obligations of the United States (including obligations issued on a discount basis or on a combination discount and interest-bearing basis) under any other provisions of law is hereby terminated insofar as the issuance of United States bonds to any bank receiving demand deposits is authorized hereby. Except in accordance with such regulations as the Secretary of the Treasury may prescribe in order to provide for the orderly disposition of United States bonds held by any bank receiving demand deposits on the date of the enactment of this act, no such bank shall at any time hold any amount of United States bonds in excess of the amount held by it on December 31, 1941.

"SEC. 4. The first two paragraphs of section 7 of the Federal Reserve Act, as amended, are amended to read as follows:

"SEC. 7. After all necessary expenses of a Federal Reserve bank have been paid or provided for and a surplus equal to the paid-in capital stock of such bank accumulated, the annual net earnings of such bank shall be paid into the general fund of the Treasury.

"Should a Federal Reserve bank be dissolved or go into liquidation, any surplus remaining, after the payment of all debts and the par value of all stock, shall be paid to and become the property of the United States."

WILL STOP FARMING OUT GOVERNMENT CREDIT AND USE OF IDLE GOLD FREE TO BOND BUYERS

Section 1 of the bill will permit the Secretary of the Treasury, instead of selling Government interest-bearing bonds, to receive the money necessary to meet any public expenditure by issuing and depositing with the 12 Federal Reserve banks bonds that provide for no interest. These bonds will not be sold to the public, as the public generally would probably not be interested in buying them since they will not draw interest, but the Federal Reserve banks can keep them, and each year the Government can make a payment on the bonds to the Federal Reserve banks.

Under our present system the Treasury, when it needs money, sells bonds that provide for interest through the Federal Reserve banks, and in that way the Treasury receives credit at the Federal Reserve banks, which is checked upon in order to pay the debts of the Government. This proposal will permit the Treasury to receive the same amount of credit as on interest-bearing bonds and the Treasury may check upon this credit in the same manner that it is checked upon today when interest-bearing bonds are sold. In other words, when this proposal is enacted, the Treasury will give the same kind of checks to the same people for the same service, or in payment of the same debts. The people receiving these checks under the new proposal will deposit them or receive the money on them in the same way and manner that they now receive credit at the local banks, or receive the money in return for their checks.

This will not cause the distribution or circulation of one extra dollar of actual currency. Therefore, it cannot be considered a greenback or printing-press proposal. It is strictly an orthodox banking method, which will permit the Government to finance the war debt without paying tribute to a few people who are using the Government's credit and idle gold absolutely free.

HOW NON-INTEREST-BEARING BONDS DISTRIBUTED

Section 2 of the bill provides the method by which the bonds, which will be noninterest bearing, will be distributed among the 12 Federal Reserve banks. The method that will be agreed upon will doubtless be according to the capital

stock or resources of the particular bank. If the Treasury needs a million dollars, it will distribute the bonds among the 12 Federal Reserve banks, which will aggregate a million dollars. The largest Federal Reserve bank, of course, will take much more of the bonds than the smallest Federal Reserve bank.

The distribution will be made by the Treasury and the Board of Governors of the Federal Reserve System.

BANKS WILL BE PAID FOR SERVICE

This section also provides that the Federal Reserve banks will not lose any money by reason of servicing these loans to the Government without interest since the bill provides that each bank shall be reimbursed for any expenses incurred in connection with the bonds. The expenses, of course, will be practically nothing (not as much as one-twentieth of 1 percent interest) compared with the huge amounts of bonds that will necessarily be issued to finance the war debt.

IF MONEY IS TO BE CREATED IT SHOULD BE CREATED BY THE GOVERNMENT AND NO INTEREST PAID ON IT

Section 3, the first sentence, provides that no more interest-bearing obligations of the United States shall be issued and sold to commercial banks, or banks receiving demand deposits. The reason for that is that such a bank does not have anything to give the Government in return for its bonds. It merely receives the bonds and gives the Government credit in bookkeeping transactions, or pencil-mark or fountain-pen money. Every informed person admits that under such circumstances, the commercial banks create the money outright. If money is to be created outright it should be created by the Government and no interest paid on it.

BANKS CANNOT FURTHER INCREASE HOLDINGS OF GOVERNMENT BONDS

Section 3, in the second and last sentence, provides that no bank which receives deposits, in other words a bank that must create the money in order to buy bonds, shall at any time hold any amount of United States bonds in excess of the amount held by it on December 31, 1941. In other words, if a bank held \$2,000,000 in Government securities on the date mentioned, it can sell any amount of those bonds that it desires to sell, and may in turn purchase other United States Government securities up to, but not in excess of the \$2,000,000, which was the amount held December 31, 1941.

BANKS NOW LEND \$10 TO EVERY \$1 OWNED

The stockholders in all the banks in the United States have invested and would lose if the banks should be forced into bankruptcy or liquidation and there should be no recoveries, the total sum of \$8,000,000,000. About three and one-half billion dollars of this is capital; about three and one-half billion dollars is surplus, and about \$1,000,000,000 in undivided profits, making about \$8,000,000,000. That is all the stockholders in banks in America have invested in these banks. Notwithstanding, only \$8,000,000,000 are invested in all these institutions, they have purchased more than \$40,000,000,000 in United States Government securities, and now hold these securities and receive interest on them annually and expect to hold \$112,000,000,000 by the end of the next fiscal year. Without stating or discussing how much the banks should be allowed to expand, it is evident that orthodox banking methods, safe banking methods, and logical banking methods should prohibit any bank from expanding more than \$10 for every one that it owns. Let us presume, for the sake of discussion, that it is right for a bank to be allowed to lend \$10 for every one it has, and thereby receive interest on \$10 for every \$1 invested by the stockholders and still we cannot escape the logical conclusion that no bank should be allowed to expand more than \$10 for every one.

CONGRESS SHOULD NOT SIT IDLY BY

This being true, why should Congress sit idly by and allow the banks to expand \$20 to every one, or \$50 to every one, in order to finance the war and the other expenditures of our Government when it is nothing more nor less than Congress permitting the credit of this Nation to be farmed out for the selfish benefit of private banking corporations?

GOVERNMENT CREDIT FARMED OUT

The Government of the United States, under the Constitution, has the power, and it is the duty of the Government, to create all money. The Treasury Department issues both money and bonds. Under the present system it sells the bonds to a bank that creates the money, and then if the bank needs the actual money, the actual printed greenbacks to pay the depositors, the Treasury will furnish that money to the banks to pay the depositors. In that way, the Government farms out the use of its own credit absolutely free.

BACKING FOR NON-INTEREST-BEARING BONDS

If the Federal Reserve banks provide the credit to finance the war, as proposed in the bill, inserted herewith, these bonds will be backed by the credit of the Nation, which includes the taxing power of the Nation, and also the \$23,000,000,000 in gold that is now idle and unused, except that portion that is used free by the private banking system of this country.

BONDS BACKED BY TAXING POWER, TOO

A bond issued by the Government carries with it an obligation that Congress will pass laws levying taxes which will be sufficient to cause the taxpayers to pay money in taxes to pay the interest on the bonds, and to eventually retire them when due. The history of the issuance of long-term bonds by our Government is conclusive that the Government invariably pays \$2 to every \$1 that it borrows. In other words, it pays \$1 in interest and \$1 in principal.

GOVERNMENT TO PAY DOUBLE

A \$100,000,000,000 debt means, under the present system, that the taxpayers will eventually have to pay \$200,000,000,000. With a huge debt of \$300,000,000,000, which is estimated by many Government authorities as being the amount that the public debt will reach before the war is over, it will probably be impossible for the taxpayers to pay enough money each year to liquidate any part of the principal of the bonds. Therefore they will remain in bondage for centuries because they will be unable to pay any more each year than is sufficient to provide for the interest on the bonds.

\$1 PAID MONEY CREATES FOR EVERY \$1 PAID A SOLDIER

Viewing the situation from the most optimistic viewpoint, the taxpayers will be compelled to pay at least \$2 for every \$1 borrowed. For every \$1 that is paid to a soldier, the money creators have nothing to offer except the Government's credit, which has been given to them free, will also receive \$1. For every \$1 that is paid to every person for materials furnished, the money creators will receive \$1 in interest for no service whatsoever in the form of interest for furnishing the Government's credit, which has been furnished to the money lender free. For every \$1 that is paid out for any purpose, in this war or for peacetime pursuit, the interest will amount to at least \$1, and the result will be that the taxpayer must pay \$2 in order to liquidate every \$1 debt.

I cannot understand why anyone should insist that the credit of this Nation and the use of the Government's gold should be farmed out absolutely free to the private banking corporations of this country, and require the taxpayers to pay at least \$2 in order to obtain \$1 in our war preparation.

REPAIR HOPELESSNESS OF PEOPLE

Let us repair the hopelessness that is now being felt by the people on account of what they think will probably happen after the war with a \$300,000,000,000 public debt by changing the system so that the Government can use its own credit and its own gold and not pay \$2 for every \$1 that is borrowed.

WAR DEBT CAN BE PAID IN 40 YEARS

If our national debt for the war is \$300,000,000,000, it can be paid over a period of 40 years without an unbearable burden on the taxpayers by the Government borrowing money from the Federal Reserve banks and paying it back 2½ percent each year. This 2½ percent will be no more than interest that is being charged

today, and the amount will be sufficient to entirely pay off the bonds in 40 years. Whereas if we continue the present system of paying interest on these bonds, at the end of 40 years, after paying $2\frac{1}{2}$ percent each year, we will still owe the principal amount of the bonds, and the debt will be just as large at the end of 40 years as it is today or when the debt is the largest.

WILL REDUCE CHANCES OF INFLATION

If we borrow the money to finance the war from the Federal Reserve banks and it is paid $2\frac{1}{2}$ percent each year and entirely paid off and liquidated in 40 years, there will be no likelihood of inflation during that time. Whereas, if we continue paying tribute to a few for the use of the Government's own credit, we will in all probability have inflation unless it is possible to prevent it by price control and other methods.

DUTY OF CONGRESS TO MAKE CHANGE

It occurs to me that the duty of making this change is on Congress. It is not on the executive, the judiciary, or any department of our Government. It rests solely and alone upon the Congress of the United States to change the system that causes our credit to be farmed out and enormous interest burden paid unnecessarily and uselessly on its credit.

ABUSE OF POWER TO TAX

If Congress continues to require the people to pay billions of dollars a year unnecessarily as interest on Government bonds it occurs to me that it is an abuse on the part of Congress of the power to tax. Congress has the power to tax and is exercising that power to the limit, but certainly Congress should not abuse the power by levying taxes to pay a debt that is extravagant, wasteful, and unnecessary in every way.

NOW TIME TO MAKE THE CHANGE

One of these days, the American people are going to wake up and realize the situation, and they will blame this very Congress for not making the change at this time, when we are entering upon a \$300,000,000,000 war program. Now is the time to make the change. It is not a change that will involve unorthodox banking methods. It is a change that will save the Government interest on the public debt hereafter contracted, but will not be in any way dangerous to the general welfare of the country. On the other hand, it will be greatly in the interest of the general welfare of the country because the war debt will cost the taxpayers only 50 percent, at least, of what it will cost under the present system.

BOND SALES TO PUBLIC SHOULD CONTINUE

I am not proposing that bond sales to the public be stopped or impeded in any way. It is my belief that bond sales to the public should be encouraged because they are calculated to prevent or stop inflation to a certain extent. At the same time we know that the bonds that the public are buying at this time, will, when this emergency is over, be in the market one way or another and, that being true, the money creators will be in a position to purchase them by using the Government's credit free and the idle gold free, and receive interest from the Government for no service whatsoever.

\$1,000 INTEREST PER CAPITA TO BE PAID ON THIS YEAR'S BUDGET

The Budget for next year is \$108,000,000,000. This means that it will cost the American taxpayer by the time the \$108,000,000,000 debt is paid, under our present system of farming out our credit free, twice that amount, or \$216,000,000,000. This means that every man, woman, and child in America, on this \$108,000,000,000 debt, will have to pay about \$1,000 in interest and \$1,000 on the principal, presuming that the debt can be paid in 40 or 50 years. It is not right for Congress to make the people pay that \$1,000 for every man, woman, and child in America as interest for the use of the Government's own credit and for the use of the Government's own idle gold by farming out the Government's great privilege and right to create money to private banking interests of the Nation.

PERPETUAL DEBT

The current estimate of what the war, whole war, is going to cost us is \$300,000,000,000. If we spend \$300,000,000,000 on this war, it will cost about eight or nine billion dollars a year to pay the interest on the \$300,000,000,000. In all probability, that is all the taxpayers of this country will be able to pay, and will, therefore, be unable to make any payment on the principal of the debt each year. That being true, all the money that will be raised in taxes to pay on the national debt will go to the people who are using the credit of the Nation absolutely free, and who have had farmed out to them the use of the idle gold free, and the people will thereby be caused to pay a debt that is useless, wasteful, extravagant, and unnecessary.

IT IS WRONG FOR THE GOVERNMENT OF THE UNITED STATES THAT IS SOVEREIGN TO PAY PRIVATE CORPORATIONS TO CREATE MONEY ON THE GOVERNMENT'S CREDIT

UNITED STATES SOVEREIGN

No city is sovereign because it has superiors, the State and the National Government. A State is not sovereign because it has a superior in the National Government. The National Government is sovereign because it has no superior in the form of a government, and the National Government has the power to create its own credit upon which no interest should be paid instead of farming out that great privilege to the private banks of the country.

The CHAIRMAN. Have you finished your statement?

Mr. PATMAN. Yes, Mr. Chairman.

The CHAIRMAN. We thank you.

Mr. PATMAN. I want you to hear from the Honorable Robert Latham Owen, a Member of the United States Senate from the State of Oklahoma from 1907 to 1925. He was chairman of the Committee on Banking and Currency of the Senate and was coauthor of the Owen-Glass Federal Reserve bill when the Federal Reserve Act was enacted into law December 23, 1913.

Senator Owen is one of the best informed men in the world on our United States monetary system. He organized and has been a director of a successful national bank for 50 years. When President Woodrow Wilson signed the Federal Reserve Act December 23, 1913, he wrote Senator Robert L. Owen a beautiful letter that he was entitled to the gratitude of the country and gave him one of the gold pens with which he signed the bill.

The CHAIRMAN. How much time will he require?

Mr. PATMAN. I assure the chairman he can make a great contribution to this subject, or any other subject, and I hope you will hear him with consideration. I know he will be conservative in time. He never did take up much time. I assure you he will take no more than the subject justifies.

The CHAIRMAN. Very well; we will hear him.

STATEMENT OF HON. ROBERT L. OWEN, FORMER UNITED STATES
SENATOR FROM THE STATE OF OKLAHOMA

Mr. OWEN. My name is Robert L. Owen. Mr. Chairman and gentlemen of the committee, it is not what I might say to you, but what you receive, that is a matter of importance now before your committee.

You are proposing a bill to expand the credit outstanding, the indebtedness of the United States, up to \$210,000,000,000, as I understand it. Mr. Patman suggests that in doing so you hold down, as far as you can, that indebtedness by protecting the taxpayers from unearned interest on that debt. I have some familiarity with the banking system. I regard our free competitive system of industry and our banking structure as the best in the world, and the services of our bankers to the country have been very great. I have been a director of a bank for 53 years, in recent years, I think, purely complimentary, but I am familiar with the banking system, and I am familiar with its history, and I manufactured money myself in that capacity in a few little ways that I think might interest you, if I may take a moment.

When, in a great pressure one time for currency, with the consent of the citizens of the town, the bank of which I was president issued cashier's checks payable to bearer, \$5 each. They circulate as money, perfectly good money. They functioned in exchanging commodities and services from one person to another in that locality.

I might give you another instance, or instances. The Chase National Bank has 2,000 forms of script money, issued by the citizens of this country without interest for the same purpose, of facilitating the exchange of commodities and services from one person to another.

On one occasion, as the president of a national bank, I wired to our New York correspondent to place an order and buy \$500,000 of bonds, place them with the Comptroller of the Currency, make a deposit from our account of 5 percent, and receive from the Comptroller of the Currency national bank notes to the extent of \$500,000, on which my bank received the interest for many, many years, and of which I was a beneficiary as a stockholder, without shame. It was the practice of the country.

But we are now facing a great World War, in which the resources of this country will be taxed to the utmost, to such an extent that this honorable committee has found it advisable to tax the little citizen of the country who is receiving \$13 or more a week as compensation. That tax will be employed in defending the interests of our country on the battlefield and in furnishing our soldiers with the weapons of war.

But I call your attention most earnestly to the fact that when you expand this credit to \$210,000,000,000 of indebtedness of the United States, as we must do—you have got no option about it; you have got to do it—when you do that, do not add to that burden, as a part of it, unearned interest money.

When I say it is unearned, I must justify that statement, if it is to have any force. Our forefathers had some experience with money. One of the contributing causes to the Revolutionary War, as recorded by Benjamin Franklin, was the fact that the English Parliament stopped the circulation of the colonial money, in order to put English money in circulation in the United States, and caused a tremendous depression, and idleness, and contributing to the distress of our forefathers at that time.

It was done by contracting the volume of money in circulation, which stopped the people from the free interchange of commodities and services, because they didn't have the medium of exchange.

When I say unearned interest, gentlemen, I go back to the Constitution of the United States, where our forefathers put into the first section of the Constitution a provision that the Congress of the United States was exclusively authorized to coin money and regulate the value thereof. The Supreme Court of the United States, in the *Legal Tender cases*, held in substance that the term "coin" covered printing paper money. They also held that the Congress of the United States was exclusively authorized to create money, and that that right was withheld from the States, and when we come to creating money, and the question is asked, "what will be paid for a Government bond?" let us look at that transaction.

The Government sells to a bank a million dollars of Government bonds. Does the bank pay for it in currency or coin? Are they expected to pay for it in currency or coin? Certainly not. Well, what do they pay for it with? They pay for it with their individual banking credit, by an entry on the ledger of the banking house, whether a national bank or any other bank, and against that credit the Treasury Department can draw checks, and the same thing is done with the Federal Reserve banks as an agency of the United States, established for the express purpose of exercising supervisory control over the monetary system of this country.

Precisely the same thing takes place as when \$5,000,000,000 was recently sold to the Federal Reserve banks against the credit on the books of those banks. Nothing strange about it. Everybody understands it who pays any attention to this question. But I realize, Mr. Chairman, and gentlemen of the committee, that a great many people in the United States have had no particular time to study the monetary science, there has been a general understanding that money was a mysterious thing, and nobody understood what made the value of money. That has been proclaimed from the housetops by some persons of rather high authority—that nobody knew what made the value of money.

Oh, well, we have learned now what makes the value of money, and we have learned that when we expand the credit of the United States by the issuance of bonds up to the present moment that we have created money and put that money in the banks and into the hands of private citizens, and we have learned that we must contract that amount of taxations so far as we can without destroying our productive processes, and we have found that we must contract it by selling bonds to individuals and corporations who have money on deposit in banks as demand bank deposits.

Why certainly we have got to do that. There is no doubt about it. No doubt about it. Otherwise, the volume of money in circulation would rise to a point where it would be impossible to fix prices and hold those prices down to a reasonable point.

As it is, with great skill, with great patriotism, the Treasury Department has been enabled to sell bonds to the extent necessary to hold the dollar index down to approximately par. It is true that in February a year ago it was 124, but then it came down approaching par, and those efforts on the part of our Government and on the part of this honorable committee and the Congress of the United States and the cooperation of the people have brought that dollar index down again, very, very slowly in the recent months, only a mill or

two a week, only two mills last week. It is now 98 as compared to 1926.

If you will examine the volume of money in circulation through the banking system in the device of individual accounts on the books of the banks, not including interbank checks, you will find that in 1926 the volume of money turned over in that way by check, amounted to \$845,000,000,000, and had a turn-over approximately 40 times a year the amount that was being circulated. It is not far from that now. And the circulation of money has been kept down by this process of taxation and of selling bonds, so that the dollar index has been held down.

There is one feature, with your permission, I would like to comment upon, and that is this; that it should be true at all times that whether our industrial production is engaging in war products or domestic products, the ratio of the income arising from it corresponds to the amount actually employed in turn-over, the income being three times the amount of the money actually employed in actual circulation. So that it is of importance, particularly in this connection, that our domestic production, to be kept up to the maximum, will require the amount of money in circulation to be according to that formula.

I mention that because we are now being concerned about raising a sufficient amount of production to feed Europe as well as ourselves and our soldiers on the front. Therefore, the question of domestic production needs attention by the Congress of the United States, and in that connection, it needs to consider the employment of money as one of the agencies in expanding that domestic production.

Coming back, therefore, to the Constitution of the United States, where Congress was exclusively authorized to create money, and the process by which Congress has been creating it, I express the hope that this committee will consider with the greatest care the proposition submitted to it by Mr. Patman, of cutting down the expansion of the payment of unearned interest to anybody, including myself, as a stockholder in a bank.

I do not wish to take the time of the committee, further than to express these opinions. If there are any questions which any of the committee would like to ask me to comment on, I shall be glad to do it. My only purpose in coming here is to serve the people of the United States, and because I was urgently invited to come, thinking that my experience might be of interest or value to the committee. I pause, Mr. Chairman, for any questions that you or any member of the committee might care to ask me.

Mr. KNUTSON. Senator, would the plan that Mr. Patman proposes tend to bring on uncontrolled inflation?

Mr. OWEN. It would have a tendency to prevent, to the extent it is employed to prevent the expansion of the money which will produce inflation. I am not going to use the term "uncontrolled inflation." I know that inflation can be controlled by an intelligent and strong government, and I am in favor of it. I have always demanded stability in the purchasing power of money, and when I had been in the Senate less than 90 days I made an address before the Senate making that demand, and I based the address I made on the Aldrich bill, on the grounds of stabilizing the purchasing power of money because it

would itself stabilize the industrial activities of this country and stabilize the productive power of the greatest people in the world, and I have been deeply disappointed in the administration of the act, which ought to have accomplished that result in a way in which I pointed out from time to time in the public press, and to which I have the right to refer now. It could have been prevented. The contraction which took place in 1920-21 was over my vehement protest and with my statement on the floor of the Senate that it would cause a depression, which it did cause immediately afterwards.

Mr. KNUTSON. That depression you are referring to in 1920-21 was caused altogether by the Federal Reserve calling their agricultural loans, was it not, Senator?

Mr. OWEN. No; not altogether.

Mr. KNUTSON. Largely, then?

Mr. OWEN. No; not largely. It had a ruinous effect on agriculture.

Mr. KNUTSON. From which it has never recovered.

Mr. OWEN. From which it has never recovered.

Mr. KNUTSON. You are right.

Mr. OWEN. Of course. I am right, and everybody knows it. What did take place at that time was a deliberate policy of contraction for the purpose of cutting down the market price of commodities and services and thereby increasing the purchasing power of money, and benefiting creditors and those having their investments in money, without giving time to the people to adjust themselves to it. Therefore, they created a panic.

Mr. KNUTSON. Well, it had the effect, up in our country, of bringing about forced sales of cattle and grain, and as a result the markets became glutted and it further accelerated the movement downward. Isn't that right?

Mr. OWEN. Yes; that took place. What took place in 1929-32 was an occurrence on the other side of contraction, that is, inflation of credit—about \$14,000,000,000 in the security market. There was a gross expansion of credit in the security markets, so that billions of dollars of foreign money and billions of dollars of domestic money created by the sale of stocks of our great industrial companies which flowed into the security market, and caused the market price of securities to rise beyond reason, to rise beyond the point where they could possibly earn interest on the investment, rise to a point which showed to the thoughtful, prudent bankers of the country that there would be a collapse, and in May 1929 I wrote a memorandum of 16 pages to President Hoover, with 12 charts, and took it in my hands and presented it to him at lunch and urged him to study the matter for the purpose of meeting what was going to happen. What took place afterward, I will not comment on, except to observe that a credit convulsion and violent bear movement occurred in October 1929 resulting in enormous contraction of the money supply with panic and bankruptcy following.

The CHAIRMAN. What did he say about your charts?

Mr. OWEN. He said, in answer to my prayers, that if he interfered with the Federal Reserve Board or the Federal Reserve banks he would be accused of using politics in the System and it would injure the System, in his opinion. I replied to him that he, as President of

the United States, was charged with the responsibility of leadership and of protecting the people of this country against what would inevitably happen unless the full powers of this Government were used to meet the crisis that was impending, and that if he did not do it, it would ruin him politically and ruin his party. And I put that in writing and I gave a copy of it to the chairman of the Banking and Currency Committee of the House, if any of you want to see it.

The CHAIRMAN. Have you brought the same situation to the attention of President Roosevelt? If so, what was his reply?

Mr. OWEN. President Roosevelt had his attention called to the violence of this depression by some very important occurrences which preceded his election, and which had been brought about by the very things I was protesting to Hoover. He came in after 1932, at which time I am telling you this country was manufacturing its own money from one end of the country to the other and establishing barter exchanges in order to exchange products where there was no money available for exchange. Mr. Roosevelt came in when this country was facing the greatest disaster, financially, it ever had faced in its history, and when he came in he had to declare a public holiday for the banks of the country. Why? Because the people of this country were so disturbed there was danger of runs on the banks from one end of the country to the other. Ten thousand banks failed under this depression of 1932 by the destruction of the value of their securities. Then Congress took steps to stabilize, authorized the issuance of money and of credit. As a matter of fact, the Federal Reserve Board and Federal Reserve banks, instead of expanding credit, contracted it during the next 18 months, to the extent of approximately \$3,000,000,000. The record shows that and I pointed it out, and I pointed it out in writing to the proper authorities, with proof, and the proof of it can be found by anyone interested in it, by looking up the weekly statements of the Federal Reserve banks of March 14, 1933, and the corresponding week in 1934. I have been deeply interested in these matters and have made a most resolute effort to understand them.

The CHAIRMAN. I didn't quite get clear how far you had gone in prosecuting this matter proposed in Mr. Patman's bill and discussing it with Secretary Morgenthau and Mr. Roosevelt as it relates to our present situation, borrowing large amounts of additional money. Have you had any discussion with the administration about it?

Mr. OWEN. Oh, no; I have not been invited to discuss it, and I do not feel quite justified in imposing my personality upon the authorities of the Government. When I am called on to answer, I am glad to do the best I can to help solve these problems. But I want to say this, and say it very plainly; regardless of anybody's opinion, this committee now has the opportunity of saving the taxpayer's 2 or 3 billion dollars a year in unearned interest to be paid to the stockholders of the banks of this country. That is what I have got to say, and I am opposed to any further expansion of the debt for that purpose, and I wish my opposition to be put in the record. I did not come here for that purpose, but now that I am here, I feel like expressing my opinion, because I have no reason not to, and because I think it may be useful. I think it is a very grave responsibility on any member of this Congress to be taxing \$13 a week

and giving away unearned interest to the extent of billions per annum. I will not approve that, as a citizen of the United States; and, as a citizen, I speak.

The CHAIRMAN. You always speak very interestingly, Senator.

Mr. OWEN. I have a very determined view about it.

The CHAIRMAN. May I ask you this question, just for my own guidance. If the administration and the Secretary of the Treasury have a great responsibility in guarding the credit of the Government at this time, during the war, do you think before we take any further action on this that they should be called in to give their viewpoint?

Mr. OWEN. I certainly do, and I would like them to answer the questions I am putting to you—why billions of dollars in unearned interest to stockholders and taxes on \$13 a week? Ask them to answer that and I will be content to hear it.

The CHAIRMAN. I believe Mr. Patman has a bill, H. R. 1.

Mr. PATMAN. Yes, sir; H. R. 1.

The CHAIRMAN. It was thought this matter would more properly come up here, rather than have protracted hearings—

Mr. OWEN. You don't need any protracted hearings, in my opinion.

The CHAIRMAN. We all have respect for Mr. Patman. There is no man in Congress we think more highly of, and I listen very attentively to what he presents. I was wondering whether, on this bill, we would have time to get all the needed information.

Mr. OWEN. You don't require much time.

The CHAIRMAN. And call the various witnesses.

Mr. OWEN. You don't need very much time.

The CHAIRMAN. I know in your opinion, and the opinion of Mr. Patman, you wouldn't require very much time.

Mr. OWEN. Either what I have said is true and just, or it is not. And if Mr. Morgenthau can come here and show it isn't, that can be done in a few minutes.

The CHAIRMAN. I know, but there is hardly ever a question comes up here that there is not a difference of opinion. We have had scores of witnesses here on this other matter, and hardly any two of them agreed, and each one said that what they said was true.

Mr. OWEN. It is for the intelligence and judgment of this committee to determine what is just and true.

The CHAIRMAN. We don't know until we hear both sides of a question, do we? If you have a case in court, you wouldn't hear the plaintiff and not the defendant.

Mr. OWEN. I have just said to you that I suggest Mr. Morgenthau answer what I have told you.

The CHAIRMAN. I just ask you whether you think the committee should do that before we attempt to decide this matter. This bill Mr. Patman introduced should be considered seriously, but whether or not, at the same time, we should go into lengthy hearings—the banks will want to be heard, the administration will want to be heard, the representatives of all kinds of people will want to be heard. This is a rather sweeping change, and the committee could hardly be expected to come to a satisfactory decision until it heard all the facts from the people who wish to be heard. And it would require a long time to hold a hearing and hear all the witnesses.

Mr. OWEN. Mr. Chairman, may I make this suggestion?

The CHAIRMAN. Any suggestion you want to make is welcome.

Mr. OWEN. The legislative processes are well understood by most men who have had any experience with legislation, and it is well known how difficult it is to get a bill considered and passed when there are powerful self-centered interests opposed to it. Therefore I think an amendment to the bill you have is important, in a legislative sense, in order to get action upon the prayer which Mr. Patman has been submitting to you. That is what I think. That can be obviated, I think, by the committee itself agreeing to pass upon the bill introduced by Mr. Patman immediately they dispose of the present bill.

The CHAIRMAN. Have you concluded your statement. Senator?

Mr. OWEN. I have.

The CHAIRMAN. We don't want to cut you off.

Mr. OWEN. I have said all I think is necessary. I will be glad to answer any questions. A man often says things which he thinks are understood, and afterward finds they were not understood.

The CHAIRMAN. Mr. Disney wishes to inquire, Senator.

Mr. DISNEY. Senator Owen, in response, I think, to Mr. Knutson's question a little while ago, you rather implied that we now have the legal means in our fiscal system to prevent uncontrolled inflation.

Mr. OWEN. Yes.

Mr. DISNEY. Is that your view?

Mr. OWEN. Yes.

Mr. DISNEY. And that with our further law on the subject?

Mr. OWEN. I think the laws could be improved, but I think even as it stands they have very great power.

Mr. DISNEY. You believe an uncontrolled inflation could be prevented by processes we already have, if they are used?

Mr. OWEN. Yes; I think, of course, they could be improved, and I think the United States ought to unhesitatingly put itself absolutely behind the Federal Reserve System and make itself responsible for all indebtedness and liabilities of the Federal Reserve System. In other words, the Federal Reserve System should be recognized, in explicit terms, as an agency of the United States, behind which is the sovereign power of the United States. One of the reasons why I felt disposed to appear before the committee with regard to this matter of what I call unearned interest was this: That, in my opinion, the sovereign power of the United States was involved, and it is in the exercise of the sovereign power only that money is created by Congress, or through its authority, and I am opposed to any private interest taxing the sovereign power of the United States to make credit for the protection of the people of this country in a great war in which we are involved, or even in peacetimes.

Mr. DISNEY. I have heard it suggested that would put the Government in the banking business.

Mr. OWEN. Put the Government in the banking business?

Mr. DISNEY. I have heard that statement in connection with Mr. Patman's bill.

Mr. OWEN. The Government should leave the banking business to the banks, most emphatically, and the banks should leave the governing business and the exercise of sovereignty to the Government and its

Representatives in the Congress of the United States. That is my opinion.

Mr. DISNEY. But the suggestion about the Federal Reserve System, as you may well know, brings out that suggestion, that that may well put the Government in the banking business.

Mr. OWEN. The only thing that will put the Government in the banking business is the failure of the Congress to protect the people of the United States against harm and injury that would come from an unwise administration of our banking system and the creation of another great panic. We have had three. I remember the one of 1907 very distinctly, and that I know was deliberately caused. I was told so in terms most explicit by a very well-informed man in the marble room of the Senate of the United States in January 1907, when he whispered in my ear a great secret, that there was going to be a big squeeze put on in stocks and bonds. It came about, but it didn't squeeze me. I had my bank protect itself by taking additional security without squeezing other people.

Mr. DISNEY. Senator, in a word, give me your understanding of the practical aspects of Mr. Patman's proposal under H. R. 1, if you are familiar with that. How would it operate?

Mr. OWEN. It would operate simply by the United States Government, through the Treasury Department, putting its bonds, or certificates of debt, which is better—you are not going to sell these bonds anyway. It would be just a certificate of indebtedness against which the United States would take credit, and pass those credits through the Reserve System, just as it would through any bank, and then the Government could liquidate that indebtedness without penalty as rapidly as the people of the United States could pay the taxes in without suffering. It has been supposed that we are going to have great difficulty in meeting the terrible cost of this war, \$210,000,000,000. I beg the committee to look at the letter I wrote to Mr. Spence, of Kentucky, a year or so ago, pointing out the money we lost directly from the panic of 1932-33, and indirectly. Take it all together, it amounted to above \$600,000,000,000. Nobody ever questioned the facts. I stated I took it from the record. The potential loss was nearly \$400,000,000,000; the actual loss dropping from \$81,000,000,000 per annum to \$38,000,000,000 per annum, which made a total in 10 years of about \$200,000,000,000. This country has the capacity to meet the cost of this war, great as it is, and to liquidate the debt, and to go through it and come out of it the industrial, commercial, financial, and moral leader of the world. Of that I haven't the slightest doubt.

Mr. KNUTSON. Senator, this question is purely for information, and I hope you treat it as such, because I frankly confess, as I told Mr. Patman, that I am a novice in the field of finance. I am purely seeking information, that is all. What is the difference, Senator, between non-interest-bearing notes, such as I understand the Patman bill contemplates—that is what your bill contemplates, is it not, Mr. Patman, non-interest-bearing notes?

Mr. PATMAN. To the Federal Reserve banks only.

Mr. KNUTSON. What is the difference between non-interest-bearing notes and printing-press money?

Mr. OWEN. I am glad you asked me that question, Mr. Congressman. When you speak of the notes to which Mr. Patman refers,

the notes of indebtedness of the United States Treasury to the Federal Reserve banks, it merely represents an indebtedness of the United States Government to be liquidated as soon as it can be conveniently done out of the incoming revenues provided by legislation passed by your committee. When you talk about printing-press money, it is a term of derision employed by those who use the term "greenbacks" and use the term "fiat money" in order to express contempt of our currency on the ground that there is nothing behind it. Such criticism ignores the vital fact that our currency daily liquidates itself by exchange from one hand to another and that it is backed by the taxing power of the United States and the sovereignty of Congress with its power to contract and expand and to regulate the value of money. The taxing power that goes into untold billions on the productive energies and income of the greatest people in the world. The idea of printing-press money and greenbacks is to discredit what Abraham Lincoln did to save the Union when he issued \$386,000,000 of greenbacks in 1862, which were promptly discredited by having a provision put into the law that they were not receivable for interest on the public debt or for the payment of duty on imports, and therefore led the people into the belief that that money ought to be sold at a discount and thus permit a racket by which a few profited at the expense of the many.

Mr. KNUTSON. Would it be your thought that such notes as might be issued, such non-interest-bearing notes as you might issue and place with the Federal Reserve, should be to all intents and purposes negotiable money?

Mr. OWEN. It is credit, Mr. Knutson, which is in the Federal Reserve banks, and against which a check would be drawn by the United States Government.

Mr. KNUTSON. Well—

Mr. OWEN. Just a minute; let me conclude. When that check is passed through a commercial bank, the commercial bank would deposit it in a Reserve bank for payment and it would function exactly as if it were money, exactly as if it were currency, for that matter.

Mr. KNUTSON. Senator, suppose that we issued \$5,000,000,000 in non-interest-bearing notes and deposited them with the Federal Reserve banks, suppose the holders of those notes were to immediately pay them back to the Government for income-tax purposes.

Mr. OWEN. The Federal Reserve banks holding that credit would not be called upon to pay income tax to the Government.

Mr. KNUTSON. The member banks would.

Mr. OWEN. The member banks would not have the credits to which we are referring.

Mr. KNUTSON. Wouldn't the member banks be able to draw on this \$5,000,000,000 deposit?

Mr. OWEN. No, they wouldn't be able to draw on it, as belonging to them. They could not check on it, if that is what you mean. It belongs to the United States Government.

Mr. KNUTSON. You would freeze them?

Mr. OWEN. I don't freeze them at all. I simply put them to the credit of the United States and check on them, because it belongs to

the United States. That is all. It is simply a bank credit created by Uncle Sam and Uncle Sam checks on it.

Mr. KNUTSON. The only experience I have had with banking is to pay interest. I have never been——

Mr. OWEN. As a stockholder of a bank, I congratulate you.

Mr. KNUTSON. I wouldn't say I am not a stockholder, but I am not posted on banking. That is all, Mr. Chairman.

Mr. ROBERTSON. Senator Owen, you will no doubt recall that Tom Paine, of revolutionary fame, said that credit is suspicion gone to sleep——

Mr. OWEN. Credit is what?

Mr. ROBERTSON. That credit is suspicion gone to sleep.

Mr. OWEN. That is a very interesting epigram. I would like to say this; that at present we have issued billions of Federal Reserve notes that are not in circulation and have gone to sleep and are not paying any interest, but are held by the people in reserve for their own purposes at a time which will follow this war. There are billions of that money issued, in large denominations.

Mr. ROBERTSON. But the reason for that unprecedented amount of Government obligations outstanding in currency, which you say has been issued on the faith and credit of the Government, is that the people have confidence in the credit of the Government, they think the Government is sound and will stay sound, and they have not gotten suspicious of Government credit. You have told us that if we proceed to finance a substantial part of the war cost by the present method of issuing Federal Reserve notes, we will pay a substantial price in interest for that method of financing. On the other hand, if we adopt the plan recommended by you and Mr. Patman, and the banks of the country should call that new issue printing-press money, let us say, or whatever term they want to use to indicate they do not think it is sound money, it would be possible for them, I fear, to create a psychology of fear and suspicion, which once aroused I feel we could never bring within bounds again.

Mr. OWEN. There isn't the slightest possibility of such a thing. No bank would dare do it, for one thing. No bank would want to do it, for another thing, and it would be against the interest of the bank to create a condition that would destroy the value of its own collateral and cause a panic to occur in the country through his expressing suspicion and distrust of the Government.

Mr. ROBERTSON. Well, you may be right.

Mr. OWEN. I am right.

Mr. ROBERTSON. And yet the fact remains, I believe by your own testimony, and likewise that of Mr. Patman, that all the bankers have consistently in the past opposed this method of issuing money.

Mr. OWEN. The banks have not had this particular proposition before them. I think the bankers of this country are just as patriotic as anybody else. What if they are pursuing the natural policy, and following the teachings of the past? That does not argue that they are unpatriotic or unintelligent or unfair in any way, but here we are dealing with the sovereign power of the United States, and you are the custodians of the sovereignty of the United States, and I am telling you that the sovereignty ought not be taxed for the benefit

of private individuals, however honorable and worthy they are, and certainly there are no people in the country that deserve more respect than our honored bankers to whom the people entrust all their savings. They are worthy of trust, too. I honor them and I am their friend. But I also believe in the sovereignty of the United States. I believe we ought to cut down this expense by cutting out unearned interest on any more credits extended.

Mr. KNUTSON. Senator, you say, as did Mr. Patman, that the credit of the United States would be behind these notes.

Mr. OWEN. Why, certainly.

Mr. KNUTSON. That being true, why have the Federal Reserve issue these notes? Why not have the Federal Treasury issue them rather than the Federal Reserve?

Mr. OWEN. The Federal what?

Mr. KNUTSON. The Federal Reserve. Why not have the Federal Treasury issue the notes and put them in circulation.

Mr. OWEN. The Treasury would, in effect, be using this agency as its place of deposit and would be using it so as to distribute its activities throughout the 12 districts according to the respective demands in each of those districts. They need the mechanism and the mechanism has been extremely useful for that purpose. The notes of indebtedness to the Reserve banks proposed by me are in very large denomination and not currency but the basis of bank credit. Over 90 percent of our business is thus transacted by checks.

Mr. KNUTSON. Would the Treasury be unable—

Mr. OWEN. The Treasury would have to set up similar mechanism. They have already got all they need in the Federal Reserve System for that purpose. And it should prove the extreme value of the checking system. It is much better than currency. This Federal Reserve System would take your check in California, without you paying postage, or charging you collection or anything else, and it is transferred at par, so that when you write a check on a valid bank, you just send that as money and it functions as money because it transfers money and can be converted into legal tender on demand.

Mr. KNUTSON. And we have travelers' checks—

Mr. OWEN. That is another form of it.

Mr. KNUTSON. I understand, it is a form of negotiable paper that is good all over the country.

Mr. OWEN. All over the world.

Mr. KNUTSON. But you do feel it is necessary to operate the plan proposed in H. R. 1 through the Federal Reserve?

Mr. OWEN. Oh, yes.

Mr. KNUTSON. It couldn't be done through the Treasury?

Mr. OWEN. It could be, but it would be expensive and awkward and require a reorganization. It is unnecessary to do that, because they have a wonderful organization now.

The CHAIRMAN. Thank you, Senator.

Mr. OWEN. Well, I am much obliged to you gentlemen, for your patience with one of your old brothers, and I appreciate coming in and having a little chat with you. I know you will act with patriotism and with intelligence.

The CHAIRMAN. We thank both you and Mr. Patman for your appearance and the information given the committee.

Mr. PATMAN. Thank you, Mr. Chairman. May I express the hope that if you do not pass on this in connection with this bill that you give me a hearing on it some time in the future?

The CHAIRMAN. Mr. Voorhis said he would like about 10 minutes.

STATEMENT OF HON. JERRY VOORHIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. VOORHIS. I would just like to say that I agree in substantial part with what has been said by Mr. Patman and Senator Owen. I want to read first, if I may, two sentences from a little pamphlet written by Winthrop W. Aldrich, chairman of the board of directors of the Chase National Bank. Mr. Aldrich says in this pamphlet, which is entitled "Economic Implications of Internal Public Debts:"

Through 1942 commercial banks absorbed about \$19,000,000,000 of Government obligations, which represented 38 percent of the increase in the total debt; through 1943 it is estimated that the commercial banking system, that is the commercial banks, plus the 12 Federal Reserve banks, may have to absorb \$40,000,000,000 of Government obligations, an amount equal to about 60 percent of the estimated increase in the total Federal debt.

Now, Mr. Chairman, I submit that that means (1) that 38 percent in 1943 and 60 percent in 1944 of the increase in debt of the Nation will be the result of the increase of brand new money by the commercial banks of the country. It will not be the result of the transfer of actual money possessed by the people from them to the Government in the purchase of obligations. In the second place, it will mean a very high degree of concentration of ownership of this public debt in the hands of the commercial banks; and, in the third place, I agree thoroughly with what has been said to the effect that interest paid upon obligations paid for with new money created by private banking institutions is unearned interest. If the public debt, as Mr. Patman pointed out, is \$210,000,000,000 in June of 1944, the interest on that at $2\frac{1}{2}$ percent would be \$5,250,000,000, and the interest on 40 percent of that, roughly the amount held by commercial banks, would be \$2,100,000,000. That amount can be saved by the general method proposed by the gentleman from Texas, Mr. Patman.

My conception is that the ideal banking and monetary system is one in which banks lend money, but do not create it, and in which the Government creates money, but does not lend it. I think the piling up of huge amounts of Government obligations in the banks makes a tendency for the banks to create money for the Government instead of engaging in the commercial banking business, and I think that tendency has been present for quite a long time. This is an inflationary proposition as long as these bonds are sold to commercial banks, and it seems to me of tremendous consequence.

I might say that I have a bill almost exactly similar to that by Mr. Patman, which I introduced on the first day of the session. The thing that would happen were this policy pursued, would be this: The Treasury would issue non-interest-bearing certificates and sell them to the Federal Reserve banks. The Federal Reserve banks would purchase them with exactly the same credit they now use to purchase interest-bearing obligations. The Government would then secure a credit with the Federal Reserve against which it would draw checks to pay its bills.

Ideally we should pay for as much of this war as possible out of taxes and the sale of bonds to individuals and nonfinancial corporations, or even financial corporations, if they can pay for them with their own money and not with the credit of the people.

Mr. ROBERTSON. Will you yield for a question there?

Mr. VOORHIS. Certainly, Mr. Robertson.

Mr. ROBERTSON. Do you contend the sale of bonds to a commercial bank has an inflationary trend, even more inflationary than the issuance by our Government of the same amount of money?

Mr. VOORHIS. I think it might, for this reason: When you sell to a bank an interest-bearing obligation, that bond then becomes collateral for the issuance of Federal Reserve notes if the bank wants to use it for that purpose. It can, in effect, be reserves in the hands of that bank. If, on the other hand, you adopt the plan that is proposed here this morning and sell non-interest-bearing obligations to the Federal Reserve banks, it would be at the same time quite possible to provide for an increase in the reserve requirements in the banks, and thus control inflation by that means, and that has been suggested and outlined by Senator Owen in testimony before another committee.

In other words, the control of inflation is one question which must be dealt with, as the Senator pointed out. It is true to the extent anybody creates new money it is inflationary, of course, and substantially, therefore, I would agree with you, but I wouldn't agree, if by your question, you mean that the adoption of the proposal advanced here this morning by Mr. Patman and Senator Owen would be any harder to control, if, indeed, as hard, as the present system.

What I was about to say when you asked your question was that my own view is that we should get as close as we can to paying for this war out of taxes and legitimate bond sales. That is the only real way we can control inflation, and the extent to which we fail to do that, is the real inflationary danger, rather than farm prices, for example. But if we are to let anybody create new money the people of this Nation ought not be charged an interest burden of \$2,100,000,000, by 1944 on that new money, because that credit belongs to the people in the first place.

Mr. ROBERTSON. Isn't it true that for many years the theory of sound money has been that currency, whether anchored to gold or not, is sound if money is issued solely with relation to the amount of money work that is to be done?

Mr. VOORHIS. Right. I agree thoroughly with that.

Mr. ROBERTSON. Your proposal will issue money to be used for the payment of debt.

Mr. VOORHIS. No, sir. May I, first of all, agree a little more in detail with your first statement, that the soundness of money depends upon the relationship of the volume of that money with the work it is to do, which, stated in other words, means the soundness of money depends upon the relationship between the volume of money and the amount of goods and services produced in the Nation. At the present time we are in a war; we are in a war which requires colossal expenditures, and to the extent we are in that war the kind of monetary policies which I would advocate in peacetime should be precisely reversed. In other words, whereas in peacetime I would urge that the Government,

as a deliberate policy, put in circulation and create enough money to keep up with the expansion of production, today the expansion of production of supplies, civilian goods, is partially restricted, so that sound monetary policy means we should keep down to the greatest possible extent the creation of new money, and we should, on the contrary, tax and sell bonds to the greatest extent possible, in order to prevent the volume of buying power from exceeding the supply of civilian goods, consumer goods. But the fact remains, as Mr. Aldrich himself has pointed out, that that has not happened, that it is not likely to happen, that we are likely to let the commercial banks create a huge amount of money for the purchase of Government obligations, and then draw interest on that credit, which was the people's credit. My contention is that to the extent that we fail to pay for the war out of taxes or legitimate bond sales, the people should not be charged with the interest-bearing debt for the margin between the cost of the war on the one hand and the degree to which we come up to paying for it currently.

Mr. ROBERTSON. Do we have a lot of hoarding of money at the present time?

Mr. VOORHIS. I couldn't answer that. Many people feel that there is a considerable amount of hoarding of money.

Mr. ROBERTSON. And is it not also true that bank deposits are at an unprecedented height?

Mr. VOORHIS. That is true.

Mr. ROBERTSON. That is check money, is it not?

Mr. VOORHIS. That is correct.

Mr. ROBERTSON. If we have enough money in the amount of check money and plus an unprecedented amount of money in circulation, and the hoarding of money that is not in circulation, I feel it is a fair conclusion that we already have outstanding more money than is necessary to do the money work of the Nation, and that the issuance of further money is money issued to pay debts and not to do money work.

Mr. VOORHIS. But, Mr. Robertson, every dime of the \$19,000,000,000 of bonds mentioned by Mr. Aldrich here as having been sold to the commercial banks in 1942, every dime of that was additional deposits created by the banks.

Mr. ROBERTSON. That makes it inflationary.

Mr. VOORHIS. That is true, so that the inflationary question is neither here nor there so far as this proposition is concerned.

Mr. ROBERTSON. I believe it is here.

Mr. DISNEY. Mr. Knutson asked a question of Senator Owen a minute ago. He inquired why not let the process of issuance be the Treasury of the United States, of notes without interest. What have you to say about that?

Mr. VOORHIS. Well, there would be two difficulties. In the first place, it is conceivable that in the future we may have a condition in the Nation where it would be desirable to reduce the volume of money outstanding. I earnestly hope we are not going to go in for a program of deflation after this war, like we did after the last war, because I think it was disastrous. But we may conceivably have a situation where we do have a surplus of revenues coming into the Treasury over the needs of the Government. If that hap-

pened, and if we had non-interest-bearing certificates in the hands of the Federal Reserve, you could then pay off some of those certificates, as it was sound fiscal policy to do so. Of course, you could also retire currency and accomplish the same result, if you wanted to, but I think the best reason for doing it the way Mr. Patman suggested and that I have suggested—with modesty I will say—the best argument for it is, it is customary in this country for us to do business, not with a huge volume of cash money, but to do it by means of bank deposits and check money, and people are more accustomed to that than they are to the use of very large amounts of cash.

Furthermore, the amount of cash that will actually be used by people is determined by their convenience. I mean, in other words, they will deposit it in the bank if they don't want to use it, and the amount of cash currency that circulates is determined by the convenience of our trade, rather than any other circumstances, so that I do not think it would particularly make sense to put out many billions of dollars of currency when you don't need to; there isn't any use going to the expense of printing it. And, furthermore, I think it is a much more understandable method to use precisely the method that you now use for the sale of interest-bearing bonds, when you handle the non-interest-bearing securities. Mr. Patman has suggested that is what you would be doing—you would be selling them to the Federal Reserve in precisely the same way you sell interest-bearing bonds to them, and they buy them with the credit of the American people.

The CHAIRMAN. Thank you, Mr. Voorhis. At this point, the committee will recess until 1:30, when it will meet in executive session.

(Whereupon at 12:45 p. m. the committee adjourned.)

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PUBLIC DEBT ACT OF 1943

Please return to
LEGISLATIVE REPORTS AND SERVICE SECTION
Office of Budget and Finance

HEARING

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

FIRST SESSION

ON

S. 566

A BILL TO INCREASE THE DEBT LIMIT
OF THE UNITED STATES, AND
FOR OTHER PURPOSES

JANUARY 29, 1943

Printed for the use of the Committee on Finance



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PUBLIC DEBT ACT OF 1943

FRIDAY, JANUARY 29, 1943

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to notice, at 2:30 p. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

The CHAIRMAN. Gentlemen, we have before us here this afternoon a bill to increase the debt limit.

(S. 566 is as follows:)

[S. 566, 78th Cong., 1st sess.]

A BILL To increase the debt limit of the United States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Public Debt Act of 1943.

SEC. 2. Section 21 of the Second Liberty Bond Act, as amended, is further amended to read as follows:

"SEC. 21. The face amount of obligations issued under the authority of this Act shall not exceed in the aggregate \$210,000,000,000 outstanding at any one time."

SEC. 3. Section 22 of the Second Liberty Bond Act, as amended, is further amended by adding at the end thereof the following subsections:

"(h) The Secretary of the Treasury, under such regulations as he may prescribe, may authorize or permit payments in connection with the redemption of savings bonds to be made by incorporated banks and trust companies.

"(i) Any losses resulting from payments made in connection with the redemption of savings bonds shall be replaced out of the fund established by the Government Losses in Shipment Act, as amended, under such regulations as may be prescribed by the Secretary of the Treasury. The Treasurer of the United States, any Federal Reserve bank, or any incorporated bank or trust company authorized or permitted to make payments in connection with the redemption of such bonds, shall be relieved from liability to the United States for such losses, upon a determination by the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Treasurer, the Federal Reserve bank, or the incorporated bank or trust company. The Post Office Department or the Postal Service shall be relieved from such liability upon a joint determination by the Postmaster General and the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Post Office Department or the Postal Service. The provisions of section 3 of the Government Losses in Shipment Act, as amended, with respect to the finality of decisions by the Secretary of the Treasury shall apply to the determinations made pursuant to this subsection. All recoveries and repayments on account of such losses, as to which replacement shall have been made out of the fund, shall be credited to it and shall be available for the purposes thereof. The Secretary of the Treasury shall include in his annual report to the Congress a statement of all payments made from the fund pursuant to this subsection."

The CHAIRMAN. Mr. Bell, the Acting Secretary, Mr. Sullivan, and other representatives of the Treasury are here to advise us about this bill.

You may proceed, Mr. Bell, and tell us anything you desire.

STATEMENT OF DANIEL W. BELL, UNDER SECRETARY OF THE TREASURY

Mr. BELL. Mr. Chairman, the bill before you provides an increase in the borrowing authority of the Treasury from \$125,000,000,000 under the present law to \$210,000,000,000. The gross outstanding debt on December 31, 1942, was \$108,000,000,000. That leaves us about \$14,000,000,000 of borrowing authority with which to meet the Government expenditures, after taking into consideration future discount on United States Savings bonds. We estimate that that balance will be down to about \$6,000,000,000 on March 31 next.

In April we contemplate a rather large campaign for funds, somewhat similar to the one we had in December and may amount to as much or more than that drive. So it will be necessary for us to have an increase in our authority by April 1, in order to carry on that campaign.

The budget which was just submitted to Congress estimates that the gross debt on June 30, 1943, will be \$135,000,000,000, and on June 30, 1944, the end of the next fiscal year, it will be \$210,000,000,000. So, the authority which we are asking for just about takes care of the budget that is now before you. That is the basis for the figure in the bill.

Senator VANDENBERG. May I ask you a question at that point, Mr. Bell?

Mr. BELL. Yes.

Senator VANDENBERG. I assume this \$210,000,000,000 in the budget estimate that you have just stated does not include the debts of the various Government corporations which have a borrowing power of their own?

Mr. BELL. That does not include the outstanding debt in the hands of the public, but it does include the expenditure that those corporations contemplate making in the next fiscal year.

Senator VANDENBERG. Have you the figure on what the outstanding debt is of all these collateral institutions?

I hope I am not interrupting your thought.

Mr. BELL. No. I am just making a general statement, so you can go right ahead.

The outstanding debt of these corporations that is in the hands of the public is \$4,283,000,000 as of December 31, 1942, and we hold in the Treasury \$5,200,000,000 additional of their obligations. You recall the Secretary advised you a year or so ago that we are now doing all of the financing of the corporations and that they would not issue any further obligations in the market.

Senator VANDENBERG. Does the \$5,000,000,000 that is now held in the Treasury find its way into this \$120,000,000,000?

Mr. BELL. It is already within the \$125,000,000,000 limit; yes, sir.

Senator VANDENBERG. So that as fast as the balance of the debt of these collateral institutions matures it will disappear as a collateral obligation and will be included within the main structure?

Mr. BELL. That is right; yes, sir.

Senator DAVIS. That is within this \$210,000,000,000.

Mr. BELL. To the extent that any of their obligations mature within the next 15 months, we will pay them off out of Treasury funds and they will become a part of the public debt of the United States. To

the extent that they are still remaining outstanding in the hands of the public at the end of June 30, 1944, they will not be a part of the \$210,000,000.000.

Senator VANDENBERG. Have you a break-down of the \$4,283,-000,000?

Mr. BELL. By corporations?

Senator VANDENBERG. Yes. Will you put that in the record? You do not need to read it now.

Mr. BELL. I shall be glad to.

(The statement referred to is as follows:)

Unmatured securities of Government corporations and agencies guaranteed by the United States which were outstanding as of the close of business Dec. 31, 1942

Government corporations or agencies—series or loans	Par amount of securities outstanding	Average interest rate	Par amount of securities held by Treasury	Average interest rate	Total par amount of securities outstanding	Average interest rate
Home Owners' Loan Corporation:						
3-percent bonds, series A, 1944-52.....	\$778,578,075.00				\$778,578,075.00	
1½-percent bonds, series M, 1945-47.....	754,904,025.00				754,904,025.00	
1-percent bonds, series Q, 1942-43.....			\$411,000,000.00		411,000,000.00	
Total.....	1,533,482,100.00	2.262	411,000,000.00	1.000	1,944,482,100.00	1.995
Federal Farm Mortgage Corporation:						
3¼-percent bonds of 1941-64.....	94,678,600.00				94,678,600.00	
3-percent bonds of 1941-49.....	835,085,600.00				835,085,600.00	
1-percent bonds, due June 30, 1943.....			49,000,000.00		49,000,000.00	
Total.....	929,764,200.00	3.025	49,000,000.00	1.000	978,764,200.00	2.924
Commodity Credit Corporation:						
1-percent interim notes, fourth series, due June 30, 1943.....			200,000,000.00		200,000,000.00	
1-percent interim notes, fifth series, due June 30, 1943.....			50,000,000.00		50,000,000.00	
1-percent interim notes, seventh series, due June 30, 1943.....			200,000,000.00		200,000,000.00	
¾-percent notes, series F, 1943.....	289,458,000.00				289,458,000.00	
1½-percent notes, series G, 1945.....	411,596,000.00				411,596,000.00	
½-percent obligations.....	86,843,048.05				86,843,048.05	
Total.....	787,897,048.05	.918	450,000,000.00	1.000	1,237,897,048.05	.948
Reconstruction Finance Corporation:						
1½-percent notes, series V, 1943.....	324,397,000.00				324,397,000.00	
1-percent notes, series W, 1944.....	571,363,000.00				571,363,000.00	
1-percent notes, series X, due Jan. 1, 1945.....			3,954,682,445.91		3,954,682,445.91	
Total.....	895,760,000.00	1.045	3,954,682,445.91	1.000	4,850,442,445.91	1.008
Federal Public Housing Authority:						
1¾-percent notes, series B, 1944.....	114,157,000.00				114,157,000.00	
1-percent notes, series J, due June 30, 1943.....			280,000,000.00		280,000,000.00	
Total.....	114,157,000.00	1.375	280,000,000.00	1.000	394,157,000.00	1.109

Unmatured securities of Government corporations and agencies guaranteed by the United States which were outstanding as of the close of business Dec. 31, 1942—
Continued

Government corporations or agencies—series or loans	Par amount of securities outstanding	Average interest rate	Par amount of securities held by Treasury	Average interest rate	Total par amount of securities outstanding	Average interest rate
Federal Housing Administration:						
Mutual mortgage insurance fund debentures:						
3-percent, series A	\$6,914,486.23	-----			\$6,914,486.23	-----
2¾-percent, series B (uncalled)	342,450.00	-----			342,450.00	-----
2¾-percent, series B (eighth called)	833,200.00	-----			833,200.00	-----
2¾-percent, series E	24,200.00	-----			24,200.00	-----
Housing insurance fund debentures:						
2¾-percent, series C	45,900.00	-----			45,900.00	-----
2¾-percent, series D	13,953,100.00	-----			13,953,100.00	-----
Total	22,113,336.23	2.828			23,113,336.23	2.828
Tennessee Valley Authority:						
2¼-percent bonds, series A, Dec. 15, 1948			\$272,500.00		272,500.00	
1¾-percent bonds of 1943-51 ¹			10,000,000.00		10,000,000.00	
2¼-percent bonds of 1947-57 ¹			15,000,000.00		15,000,000.00	
2½-percent bonds of 1951-63 ¹			15,000,000.00		15,000,000.00	
2½-percent bonds of 1955-69 ¹			16,500,000.00		16,500,000.00	
Total			56,772,500.00	1.005	56,772,500.00	1.005
Grand total	4,283,173,684.28	1.905	5,201,454,945.91	1.000	9,484,628,630.19	1.409

¹ The Treasury has agreed, until further notice, to accept from the Tennessee Valley Authority, interest at the rate of 1 percent per annum on the Authority's bonds while they are used by the Treasury.

Senator VANDENBERG. I suppose in the case of a corporation like H. O. L. C., then, the bonds which were previously a lien on the property cease to be a lien on the property, and the property in turn comes under the General Treasury as an asset behind the total national debt. Is that right?

Mr. BELL. That is right. The law provides that.

While we do not take the assets over, they are held in the corporation as a Government agency.

Senator VANDENBERG. You still have to pay 3 percent for money for these outside agencies, as most of the H. O. L. C. bonds, for instance, bore?

Mr. BELL. No; we could borrow in the market on the guaranteed obligations for practically the same rate as on the direct Government obligations. There is a little difference, but not much.

The CHAIRMAN. All right, Mr. Bell, do you have some other figures?

Mr. BELL. No, I haven't, Mr. Chairman.

The CHAIRMAN. Do you have some other features in this bill that you wish to discuss?

Mr. BELL. I can go over the sections of the bill, if you care to.

The CHAIRMAN. Yes. You have two new features aside from the provision increasing the debt limit?

Mr. BELL. Yes. Section 2 merely amends the present law to increase the amount of borrowing authority from \$125,000,000,000 to \$210,000,000,000.

Senator WALSH. How long do you think that would last, that borrowing?

Mr. BELL. That is supposed to last us to the end of the fiscal year 1944, which will be June 30, 1944, and is based on the present Budget now before the Congress.

Section 3 of the bill is an amendment to section 22 of the Second Liberty Bond Act to add two new subsections.

Subsection (h) would give the Secretary authority to use incorporated banks and trust companies in the redemption of savings bonds. We have outstanding at the present time some \$15,000,000,000 of these bonds, and of course they are increasing every month, and as they increase in the amount outstanding our redemptions are bound to increase. We feel that the time is coming when we may have to make some other arrangements for redeeming them, other than through the Federal Reserve banks and the Treasurer of the United States. So, we are merely asking authority of the Congress to authorize redemptions through incorporated banks and trust companies if it becomes necessary.

The CHAIRMAN. That is the War Savings bonds?

Mr. BELL. That is just the War Savings bonds; yes, sir. That will facilitate redemption and avoid congestion in these other two places where we now redeem them.

Senator VANDENBERG. By "redemption," you mean the payment of them before they are due?

Mr. BELL. Yes; or at maturity, either one.

Senator VANDENBERG. Are you going to encourage the cashing of these bonds ahead of time?

Mr. BELL. No; we are going to discourage that all we can, and we are doing that now, but then there are bound to be many of them cashed in. There are many of them being cashed in now, and as the volume outstanding increases the amount of redemptions are bound to increase.

Senator VANDENBERG. You do not think increasing the facilities for redemption encourages the use of the facilities?

Mr. BELL. Well, I do not believe it would very much, but, nevertheless, if the bond is presented for redemption I think we have got to meet that redemption and meet it promptly. I think if we do not meet it promptly it will do more harm than anything else.

Senator GERRY. How much in these bonds did you say was outstanding?

Mr. BELL. \$15,000,000,000 current redemption value.

The CHAIRMAN. As a matter of fact, the holder of the bond who finds it necessary to cash it in usually goes to his local bank anyway, does he not?

Mr. BELL. In many cases he does; yes.

The CHAIRMAN. And it comes right on through?

Mr. BELL. That is right.

The CHAIRMAN. Now, the next section, Mr. Bell, you might explain that.

Mr. BELL. The next section is really an amendment to the Government Losses in Shipment Act.

At the present time, as I told you, we are redeeming these bonds at the Treasury and at the various Federal Reserve banks. We have about 60,000 stop orders against payment of these bonds. When they come in for redemption we cannot make payment therefor until lists are searched to see if any of the bonds so presented are on the lists of these stop orders. These stop orders are due to bonds that are lost, destroyed, or misplaced, and in many cases are the result of holdings in excess of the prescribed limit. The present limit now is \$5,000 for the series E bonds. If we find a person with excess holdings we put a stop order against the bonds.

When we redeem a bond the Federal Reserve bank and the Bureau of Public Debt both have to go through the list of 60,000 numbers, to see whether or not those particular bonds are on the stop-payment list. In December we redeemed a total of 1,600,000 bonds, and only about 114 were found on the list. Now, to go through all of those bonds for just 114 bonds of which 83 were the \$25 denomination cost us a great deal of money administratively. So, what we would like to do is simplify our procedure by permitting the commercial banks, if we use them, the Federal Reserve banks, and the Treasurer of the United States to cash them and have the bonds come right through to the Bureau of Public Debt in the Treasury and there do the final checking, just the same as we do now for our Treasury checks. The checks come to the Treasury and are checked against the disbursing officer's account, to see whether there is sufficient balance to pay them or if they are otherwise in order. If we find any bonds cashed that should not have been cashed, then we go back through regular channels and collect the erroneous payment. We go through, of course, the Secret Service and the present governmental set-up. If there are any actual losses incurred in the procedure, we want to charge them to this Government losses in shipment fund that Congress has already set up to take care of similar losses on other matters. This fund was set up in 1937 as a sort of self-insurance fund. Instead of paying premiums to insurance companies, Congress authorized an appropriation to be held as a fund in the Treasury to pay for losses in carrying and shipping of securities and valuables throughout the country.

In the 5 years of the operation of that fund Congress appropriated \$693,000 and we have only paid out \$7,500 in losses. We feel administratively it is much cheaper for us to pay the few losses that we would have in these redemptions than to set up the administrative procedure and expense involved to check all of these lists through each of these agencies.

If we had paid premiums on all of the shipments that we have had in the last 5 years, we would have paid out to insurance companies \$3,800,000, but we have actually paid out only \$7,500 in losses, and much of this represents only bookkeeping transfers. So we think this is the best way to meet that problem. It simplifies our redemption procedure and will result in a substantial saving.

The CHAIRMAN. Are there any questions, gentlemen?

Senator DANAHER. Mr. Chairman.

The CHAIRMAN. Senator Danaher.

Senator DANAHER. I understood you to say, Mr. Bell, in answer to Senator Vandenberg, that Corporation obligations that are outstanding are included in that \$4,283,000,000 as of December 31, 1942, those are in the hands of the public?

Mr. BELL. Those are in the hands of the public; yes.

Senator DANAHER. Assuming that some of those obligations are to come due, how are you going to meet them?

Mr. BELL. We pay them off out of the general fund of the Treasury and they become part of the public debt of the United States.

Senator DANAHER. It does not increase the actual debt in any respect, does it?

Mr. BELL. Yes.

Senator DANAHER. How?

Mr. BELL. It does not increase the debt if you consider the guaranteed debt as a part of the public debt, but it increases what we call the gross public debt and comes within the \$125,000,000,000 limitation fixed by Congress. Otherwise, it is stated as a debt of the Corporation.

Senator DANAHER. In any case, the Government owns the Corporation?

Mr. BELL. That is right.

Senator DANAHER. Are such items as the Board of Economic Warfare commitments chargeable, as they now are, to R. F. C. included separately or specially within this total you ask for?

Mr. BELL. I just have the one figure for R. F. C. Everything that the R. F. C. spends and for which it borrows money is in this figure.

Senator DANAHER. And how much do they estimate between now and June 30, 1944, would be required for B. E. W. operations?

Mr. BELL. I will try to get that for you. The total expenditures that Government Corporations are expected to make in the fiscal year 1944 are about \$4,700,000,000, as I recall.

Senator DANAHER. Does that include Commodity Credit Corporation operations?

Mr. BELL. Yes; Commodity Credit is a part of that group.

Senator DANAHER. Do you have a break-down of what you anticipate from Commodity Credit between now and June 30, 1943?

Mr. BELL. No; I haven't, Mr. Danaher. I do not know how much they have incurred up to this date, but for the fiscal year 1943 the estimate is \$1,086,000,000, and it is \$787,000,000 for the fiscal year 1944.

Senator BARKLEY. That is the Budget estimate?

Mr. BELL. Yes, sir. I probably can get that break-down, as to what it actually incurred up to December 1942, and what it contemplates in the next 6 months.

(The statement referred to is as follows:)

Estimated expenditures, Commodity Credit Corporation, fiscal years 1943 and 1944

[In millions of dollars]

	Fiscal year 1943	Fiscal year 1944
Estimated expenditures in 1944 Budget (p. XX).....	1,086	787
Less actual expenditures (net) July 1 to Dec. 31, 1942, per daily Treasury statements..	92	-----
Balance of estimate, Jan. 1 to June 30, 1943.....	1 994	-----

¹ Includes \$289,000,000 for redemption of notes outstanding in the market, maturing May 1, 1943.

Senator DANAHER. We had some testimony before the Banking and Currency Committee that B. E. W. operations from April 15 last through approximately December 15 exceeded \$1,000,000,000. That is a lot of money.

Mr. BELL. That is a lot of money.

Senator DANAHER. I wondered if there is any source from which we can get a break-down of what is expected for B. E. W. between now and June 30 of this year, and the subsequent fiscal year.

Mr. BELL. I haven't got it, but I think I can get it for you and put it in the record.

Senator DANAHER. Might that be supplied for the record, Mr. Chairman?

The CHAIRMAN. Yes, you may furnish it.

(The information requested is as follows:)

- [NOTE.—The following information has been informally obtained from the Board of Economic Warfare and the Bureau of the Budget.]

The Board of Economic Warfare handles practically all foreign procurement activities, with the exception of rubber, including preclusive buying. The Board of Economic Warfare locates and directs the purchasing in foreign countries of commodities for the account of such agencies as Metals Reserve Company and Defense Supplies Corporation. The United States Commercial Company was organized at the request of the Department of State and the Board of Economic Warfare as a subsidiary of the Reconstruction Finance Corporation. The Board of Economic Warfare utilizes the facilities of this Company in carrying out its preclusive operations. Included on the board of directors of the United States Commercial Company are four representatives of the Reconstruction Finance Corporation, two from the State Department, one from the Office of Coordinator of Inter-American Affairs, and three from the Board of Economic Warfare. A portion of the purchases directed by the Board of Economic Warfare are stock-piled and the balance is sold in this country, the proceeds of such sales going back *Estimated expenditures of the Board of Economic Warfare for the 6-month period to the Reconstruction Finance Corporation.* Some of the acquisitions of food-stuffs, etc., are financed by the Commodity Credit Corporation.

Jan. 1 to June 30, 1943, and for the fiscal year 1944

	Jan. 1 to June 30, 1943	Fiscal year 1944
Appropriated funds (net).....	\$13, 395, 000	\$33, 215, 000
Reconstruction Finance Corporation, and Commodity Credit Corporation funds (net) ¹	450, 000, 000	850, 000, 000
Total.....	463, 395, 000	883, 215, 000

¹ Of the net amount of \$450,000,000, it is estimated that approximately \$200,000,000 will be recovered by subsequent sales from stock pile; and of the net amount of \$850,000,000, it is estimated that approximately \$450,000,000 will be recovered by subsequent sales from stock pile.

Senator BYRD. What is the amount of the obligations of the corporations that is not included in the gross statement?

Mr. BELL. \$4,283,000,000 as of December 31.

Senator BYRD. How many corporations have the power to issue direct obligations?

Mr. BELL. Only the Treasury has the authority to issue direct obligations.

Senator BYRD. Of course, it is a matter of discretion as to whether they should offer the obligations to the Treasury or to the public; isn't that correct?

Mr. BELL. That is right, yes.

Senator BYRD. How many of them can offer their notes and bonds either to you or to the public? I mean corporations.

Mr. BELL. I think there are eight of them. The Commodity Credit Corporation, the Federal Farm Mortgage Corporation, the Federal Housing Administration, the Federal Public Housing Authority, the Home Owners' Loan Corporation, the Reconstruction Finance Corporation, Tennessee Valley Authority, and United States Maritime Commission.

Senator BYRD. That includes R. F. C., does it?

Mr. BELL. Yes, sir, and that item includes all of the corporations under the R. F. C.

Senator BYRD. Why would Home Owners' Loan have the authority to issue additional obligations when they are now liquidating it?

Mr. BELL. From time to time they have to issue obligations in connection with their liquidation. They are not large.

Senator BYRD. Have you got available the complete authorizations of these different Government corporations?

Mr. BELL. Yes, sir, and I am putting a table in the record.

(The table referred to is as follows:)

Borrowing power and outstanding obligations of corporations and credit agencies which issue obligations guaranteed by the United States as of Dec. 31, 1942

[In millions of dollars]

Corporation or agency	Gross limit of authority	Outstanding obligations			
		Total	Held by Treasury	Held by others	
				Unmatured	Matured ¹
Commodity Credit Corporation	2,650	1,238	450	788	(2)
Federal Farm Mortgage Corporation	2,000	983	49	930	4
Federal Housing Administration	³ 4,800	22	-----	22	(2)
Federal Public Housing Authority	⁴ 800	394	280	114	-----
Home Owners' Loan Corporation	⁴ 4,750	1,958	411	1,533	13
Reconstruction Finance Corporation	17,360	4,851	3,955	896	(2)
Tennessee Valley Authority	⁵ 62	57	57	-----	-----
U. S. Maritime Commission	⁶ 200	-----	-----	-----	-----
Total	32,622	9,502	5,201	4,283	18

NOTE.—Figures are rounded to nearest million and will not necessarily add to totals.

¹ Funds have been deposited with the Treasurer of the United States for payment of all obligations guaranteed by the United States, representing outstanding matured principal of \$17.8 million and interest of \$3.2 million.

² Less than \$500,000.

³ Limit of authority to insure mortgages. This amount may be increased by \$1,000,000,000 upon approval by the President. Debentures may be issued and tendered only in exchange for insured property acquired through foreclosure.

⁴ This amount may be increased only by the amount of issues for refunding purposes.

⁵ Exclusive of \$8,300,000 issued on the credit of the United States and held by the Reconstruction Finance Corporation.

⁶ Limit which may be outstanding at any one time with respect to the insuring of mortgages and the issuance of debentures.

Senator BYRD. What is the total of the unissued obligations that they are authorized to issue?

Mr. BELL. They have authority to issue \$32,600,000,000. There is approximately \$2,800,000,000 of that which is the Home Owners' Loan Corporation's and no longer available. All corporations have issued \$9,502,000,000, which was outstanding on December 31, 1942, of which \$5,200,000,000 was held by the Treasury and \$4,283,000,000 held by the public.

Senator BYRD. They can issue, then, \$21,000,000,000 more than they have already issued?

Mr. BELL. It is about \$20,300,000,000.

Senator BYRD. And if they choose to do it, and the Treasury consents to it, they can offer that direct to the public, in which event it will not be included in this gross limitation we are now considering?

Mr. BELL. That is right. But you know we are following the policy of requiring them all to come through the Treasury.

Senator BYRD. I mean there is no legal requirement that the Treasury shall buy their bonds, and if you do not buy them and they are offered to the public, then it is not included in this \$210,000,000,000?

Mr. BELL. That is right.

Senator VANDENBERG. Can you stop them from offering them to the public?

Mr. BELL. It requires the approval of the Secretary of the Treasury to issue a guaranteed obligation to the public. It requires his approval also for the purchase by the Treasury of those obligations, but I should think that if the Secretary should refuse to purchase such obligations he would be very much in the same position as if he refused to honor a check on an appropriation made to a department. I doubt if he would want to refuse to permit these corporations to carry out the functions which Congress has imposed upon them, if the obligations to be issued are otherwise legal.

Senator DANAHER. Mr. Chairman, another question.

The CHAIRMAN. Yes, Senator.

Senator DANAHER. Mr. Bell, it is my recollection that as of June 30, 1942, you carried into fiscal 1943 appropriations amounting to \$105,409,000,000. Does that figure ring substantially accurately to you?

Mr. BELL. I do not know, but I should say it was up in that neighborhood, yes, sir. I am inserting in the record a table taken from the 1944 Budget which shows balances of appropriations on June 30, 1942, amounting to \$97,280,000,000.

(The table referred to is as follows:)

Statement of balances of appropriations as of June 30, 1942 (exclusive of trust accounts), and of appropriations for the fiscal year 1943 (including permanent and indefinite appropriations), as of Nov. 1, 1942, reported by the Secretary of the Treasury

[This statement is included in the Budget only because of the requirements of the Budget and Accounting Act, 1921 (31 U. S. C. 11e). As budgetary information, the statement has little, if any, value, as it simply shows the balances of appropriations on the books of the Treasury, June 30, 1942, classified as between 1943 appropriations and those of prior years according to whether the funds were appropriated as "immediately available"]

Department or agency	Balances of appropriations, June 30, 1942	Appropriations for fiscal year 1943, including permanent and indefinite appropriations ¹	Total available
Legislative establishment.....	\$2,515,506.41	\$27,584,573.00	\$30,100,079.41
The judiciary.....	794,870.34	12,503,774.00	13,298,644.34
Executive Office.....	5,281,382,100.92	1,829,397,254.00	7,110,779,354.92
Independent establishments:			
Civil Service Commission.....	1,940,096.39	123,769,052.00	125,709,148.39
Employees' Compensation Commission.....	6,602,632.89	9,589,705.00	16,192,337.89
General Accounting Office.....	3,410,345.55	16,433,285.00	19,843,630.55
Interstate Commerce Commission.....	668,048.92	9,416,692.00	10,084,740.92

¹ Appropriations for fiscal year 1943, exclude items made immediately available, but include appropriations by deficiencies or supplemental acts.

Statement of balances of appropriations as of June 30, 1942 (exclusive of trust accounts), and of appropriations for the fiscal year 1943 (including permanent and indefinite appropriations), as of Nov. 1, 1942, reported by the Secretary of the Treasury—Continued

Department or agency	Balances of appropriations, June 30, 1942	Appropriations for fiscal year 1943, including permanent and indefinite appropriations	Total available
Independent establishments—Continued			
National Advisory Committee for Aeronautics	\$12,036,954.68	\$12,011,736.00	\$24,048,690.68
Railroad Retirement Board	14,518,926.80	227,342,000.00	241,860,926.80
Securities and Exchange Commission	240,373.11	4,910,000.00	5,150,373.11
Selective Service System	6,394,048.45	34,745,000.00	41,139,048.45
Tennessee Valley Authority	81,180,935.66	136,100,000.00	217,280,935.66
The Alley Dwelling Authority	13,899,406.01	12,000.00	13,911,406.01
U. S. Maritime Commission	1,728,677,064.18	930,080,000.00	2,658,757,064.18
Veterans' Administration	540,233,987.90	127,925,088.00	668,159,075.90
Other independent establishments	3,794,833.78	23,184,189.00	26,979,022.78
Federal Security Agency:			
Office of Administrator	4,995,353.00	6,129,893.00	11,125,246.00
Civilian Conservation Corps	126,707,673.68		126,707,673.68
National Youth Administration	29,439,250.18	61,274,000.00	90,713,250.18
Office of Education	22,426,836.78	175,929,090.00	198,355,926.78
Public Health Service	1,899,429.95	52,366,245.00	54,265,674.95
Social Security Board	8,193,055.13	524,469,330.00	532,662,385.13
Other	1,599,063.91	5,168,288.50	6,767,352.41
Federal Works Agency:			
Office of Administrator	196,188,970.79	17,850,000.00	214,038,970.79
Public Buildings Administration	49,329,483.34	34,946,710.00	84,276,193.34
Public Roads Administration	157,101,431.49	5,000,000.00	162,101,431.49
Public Works Administration	31,161,716.93		31,161,716.93
Work Projects Administration	38,382,195.20	280,000,000.00	318,382,195.20
Other	601.08		601.08
National Housing Agency:			
Office of Administrator	134,203,307.34	615,000,000.00	749,203,307.34
Federal Housing Administration	296,399.05		296,399.05
Federal Public Housing Authority	344,838,417.45	13,000,000.00	357,838,417.45
Other	37,338.18	1,375,000.00	1,412,338.18
Department of Agriculture	1,467,926,363.88	823,921,796.97	2,291,848,160.85
Department of Commerce:			N
Office of Administrator of Civil Aeronautics	81,913,064.14	310,655,225.00	392,568,289.14
Civil Aeronautics Board	243,154.37	1,243,500.00	1,486,654.37
Other	4,299,100.68	29,111,275.00	33,410,375.68
Department of the Interior	111,544,427.86	205,071,627.43	316,616,055.29
Department of Justice	9,531,150.39	93,985,100.00	103,516,280.39
Department of Labor	2,463,856.02	23,935,080.00	26,398,936.02
Navy Department	13,436,490,005.10	19,231,650,491.00	32,668,140,496.10
Post Office Department, payable from general revenues	224,569.32		224,569.32
Department of State	4,812,800.86	28,777,000.00	33,589,800.86
Treasury Department	1,303,452,749.74	461,882,391.65	1,765,335,141.39
War Department	68,816,468,282.31	42,822,101,569.00	111,638,569,851.31
Panama Canal	18,235,281.34	100,023,610.00	118,258,891.34
District of Columbia	8,022.26	6,000,000.00	6,008,022.26
Public debt, permanent appropriations:			
Sinking fund	3,177,792,123.31	2 590,000,000.00	3,767,792,123.31
Other public-debt redemptions, chargeable to ordinary receipts	159.15	2 1,290,000.00	1,290,159.15
Interest on the public debt		2 1,675,000,000.00	1,675,000,000.00
Total, exclusive of Postal Service, payable from postal revenues	97,280,495,796.20	71,722,161,570.55	169,002,657,366.75
Postal Service, payable from postal revenues		2 902,978,563.00	902,978,563.00
Total	97,280,495,796.20	72,625,140,133.55	169,905,635,929.75

² The total amount estimated for fiscal year 1943.

³ Exclusive of estimated postal deficiency for the fiscal year 1943.

Senator DANAHER. Now, can you tell me at what rate you have actually been called upon to make expenditures out of those appropriations?

Mr. BELL. Well, I cannot tell you how much it was out of those particular balances, but we are spending at the present time about \$6,500,000,000 a month, and before the end of the next fiscal year

we will be spending at the rate of about \$9,000,000,000 a month if we meet the Budget estimates.

Senator DANAHER. \$6,500,000,000 a month?

Mr. BELL. Yes.

Senator BARKLEY. That is the total expenditure, including war and nonwar effort?

Mr. BELL. That includes everything; yes, sir, Senator.

Senator BARKLEY. How much of that will be represented by the war effort?

Mr. BELL. The total expenditures for the fiscal year 1943, up to December 31, amounted to \$35,106,000,000, and of that total \$32,114,000,000 represented war activities.

Senator DANAHER. Are you going to follow that up, Senator Barkley? If not, I want to know what he defines to be war activities.

The CHAIRMAN. You understand Senator Danaher's question?

Mr. BELL. I think so. In the expenditure figures, as far as war activities are concerned, we include the expenditures of the War and Navy Departments for military outlays, certain expenditures of the Agriculture Department, Federal Security Agency, Federal Works Agency, National Housing Agency, Treasury Department, United States Maritime Commission, War Shipping Administration, and then there are certain other miscellaneous items. Anything that is connected with the war that comes out of war appropriations, we consider that war activity.

Senator DANAHER. If we do not appropriate directly to any of these agencies but they in turn draw on R. F. C. under directives from the President, you do not include that in that item, do you?

Mr. BELL. That is not a budgetary expenditure. That comes in another category as corporate expenditures, and we do include an item under R. F. C. called "War activities."

Senator DANAHER. And what will the war activities under the R. F. C. allocation include?

Mr. BELL. That includes such things as Defense Plant Corporation, which is building the plants throughout the country for war purposes, and the U. S. Commercial Corporation, and others. I find that I have here a list of them.

Senator DANAHER. Will you please read them for the record?

Mr. BELL. Defense Plant Corporation, Defense Supplies Corporation, Metals Reserve Company, Rubber Reserve Company, U. S. Commercial Company, and the R. F. C. Mortgage Company.

Senator DANAHER. And what do they aggregate, please?

Mr. BELL. About \$5,723,000,000 was the total disbursement through December 31, 1942, and they had receipts on account of those activities of about \$1,940,000,000. So the net outgo of those corporations was about \$3,783,000,000.

Senator DANAHER. Are those expenditures subject to audit by the Comptroller General?

Mr. BELL. I do not think that the RFC is subject to the Comptroller's audit. I believe it has its own audit.

Senator DANAHER. I think you are right.

Senator BYRD. It is not. It should be, though.

Senator DANAHER. I just wanted to verify, if you know. I am sure they are not.

Mr. BELL. I think that is right. They are not.

Senator BARKLEY. You say all of the activities of the War Department and Navy Department are allocated to war expenditures. Do you include the normal expenses of the War Department in peacetime and that are now, of course, operating for war purposes?

Mr. BELL. Yes.

Senator BARKLEY. You make no deduction from the total in the case of each of these departments by the amount that they have been spending normally, in the War and Navy Departments?

Mr. BELL. That is right; we do not.

Senator BARKLEY. They all go in together?

Mr. BELL. Yes, sir.

Senator BYRD. I think you failed to include in your statement, Mr. Bell, that the N. Y. A. has been transferred as a war agency, and the T. V. A., too, was taken from peacetime spending and put into war spending.

Mr. BELL. I think that is right as to the N. Y. A. which is now in the War Manpower Commission, but we do not include the T. V. A. in "War activities."

Senator BYRD. There are a number of others that were heretofore considered as peacetime spending and are now, under the budget, transferred to war spending.

Senator DANAHER. How do you classify lend-lease, Mr. Bell?

Mr. BELL. Lend-lease at one time was classified as a special item under war activities, but last year, most of the money was made available to the various departments and agencies, so we have since then considered it as an expenditure by those agencies. Take the Treasury Department, here is a war expenditure of \$83,000,000 in the month of December and \$581,000,000 for the year. That is practically all lend-lease expenditure by our Procurement Division. Lend-lease funds are allocated by the President to the various departments and they spend it.

Senator GERRY. What is your formula for determining what should be a war expenditure?

Mr. BELL. The nature of the fund, Senator.

Senator GERRY. What do you mean by that?

Mr. BELL. I mean if the money is made available for carrying on the war or related activities, then we consider that a war expenditure. This classification is discussed between the Treasury and Bureau of the Budget and determined by the two agencies.

We do not go below the appropriation level and allocate a portion of an appropriation to "war activities" and the balance to "nonwar." For example, Congress has provided the T. V. A. with considerable funds for production of power for aluminum plants. The appropriation acts which included these funds specified that they be appropriated to the "Tennessee Valley Authority fund," which is T. V. A.'s regular appropriation. All of their checks are drawn on this one fund. Consequently, as the Treasurer of the United States pays the checks he has no way of determining whether or not they are in payment for a purpose relating directly to the war effort. Therefore, having no convenient way of determining definitely what proportion of T. V. A.'s expenditures are made pursuant to the war effort, we have allowed all of its operations to remain in the so-called "nonwar" category.

Senator GERRY. In other words, that language would cover anything. It practically means what the Treasury decides to be a war expenditure, does it not?

Mr. BELL. Well, in some respects; yes. As to some it might be pretty clear from the appropriation that Congress makes, and in others there might be a doubt. In that case it would be the judgment of the two agencies.

Senator BYRD. The benefit of the doubt is given to the side of the board which makes the expenditure?

Mr. BELL. I think they try to be honest about it.

Senator BYRD. If there is any doubt that exists they classify it as a war expenditure?

Mr. BELL. It is pretty difficult to draw the line today. I think, however, that any error we have made is on the side of classifying too few items in the "war activities" group.

Senator BYRD. I think there should be a very careful analysis made of that, so Congress will know exactly what agencies' activities have been transferred in the last year from peacetime expenditures to so-called war expenditures.

Mr. BELL. It is hard to tell where to draw the line, Senator Byrd. Take our own activities in the Treasury, practically all of our borrowing activities now are certainly for war, and yet we do not classify Treasury expenditures for borrowing purposes as war expenditures.

Senator BYRD. Take as an example, we have always had to have an Army and a Navy, we had to pay the Secretary of War and the Secretary of State and no matter whether it was wartime or peacetime, all of those expenses now are classified as war expenses.

Mr. BELL. Not the State Department.

Senator BYRD. For the purpose of comparison, it is very confusing, because we have got to have the Army and we have got to have the Navy.

Along the line of Senator Barkley's question, the normal expenses of the Army and Navy are certainly not due to this emergency of war, so to speak.

Senator VANDENBERG. The rivers and harbors expenditure is even a more obvious example.

Mr. BELL. That is not a war expenditure, Senator. That is separated.

Senator LODGE. How about the veterans' expenditure?

Mr. BELL. Neither is that a war expenditure, although it could very well be classified as a war expenditure, carried over from the last war, as could also a great deal of the interest on the public debt from the last war be classified as a war expenditure.

Senator BARKLEY. I presume it might be said even in peacetime the expenditures for the Army and Navy are in contemplation for some part of the war. When the war actually transpires then you allocate all of that to the actual war expenditure.

Mr. BELL. For that period.

Senator BARKLEY. For that period.

Senator BYRD. Normally, we would spend about five or six hundred million dollars a year on the Army and Navy.

Mr. BELL. In 1932, 1933 and 1934 we spent from \$540,000,000 to \$700,000,000 per year.

Senator BYRD. Technically, you are correct. I am speaking of the comparison the Treasury makes as to the nonwar and war expenditures. Until the last budget, the budget before this, was adopted, the normal expenses of the Army and Navy were considered as

peacetime expenditures, so there was no classification at that time that they would be war expenditures.

Mr. BELL. Before July 1941 you will find them classified as national defense expenditures. The war activities classification, I think, came after Pearl Harbor.

Senator BYRD. It might have been the year before that, but the Treasury has had two budgets ever since 1933, one was a normal budget and then there was the recovery budget; now, there is one budget and one peacetime budget.

Mr. BELL. I call them two subdivisions of the same budget.

Senator BYRD. The expenditures of the Army and Navy, up until you adopted this defense budget, were all included in the normal expenses; that is correct, is it not?

Mr. BELL. I think that is right; yes, sir; up to the time we adopted the national defense program, which was July 1, 1940.

Senator BYRD. That is right.

The CHAIRMAN. Any further questions?

Senator VANDENBERG. What has become of the stabilization fund, Mr. Bell? Is that intact? I have not heard of that for a long time.

Mr. BELL. That is intact, and still operating. We made a few monetary arrangements, last year, with some South American countries, and also one with China. Before the \$500,000,000 fund was authorized by the Congress, we had a stabilization fund with China in operation amounting to about \$50,000,000, part of which they have used and part of which they have not.

Senator VANDENBERG. You still have a \$2,000,000,000 balance in the fund?

Mr. BELL. Yes, sir. As a matter of fact, there is about a \$30,000,000 profit on it.

Senator DAVIS. Did you have any losses in the fund?

Mr. BELL. No, sir; we have not.

Senator DAVIS. I did not hear you.

Mr. BELL. I say, we have not. The net profit on the fund, Senator Davis, is about \$30,000,000.

Senator LODGE. Do you use the fund in day-to-day exchange operations?

Mr. BELL. No, sir; not at this time. We did prior to the European war, but it has not been used in that sense since then. We have, however, made some stabilization agreements with countries like China, Mexico, and some of the smaller South American countries. There was one in contemplation with Argentina, but that one has never become effective.

Senator VANDENBERG. While we have got you here, I would like to ask you one other question.

Has the Treasury made any answer to the charge that there is no law authorizing the Treasury's action in issuing Federal Reserve bank notes up to \$660,000,000?

Mr. BELL. We are in process of preparing an answer, but the Treasury did not issue them; the Federal Reserve System issued them. We think it is clearly within the law. We will have an answer to it probably tomorrow.

Senator VANDENBERG. I think it ought to be answered.

Mr. BELL. Yes; so do I.

Senator VANDENBERG. This charge of Dr. Spahr has created quite a sensation.

Mr. BELL. Senator Taft asked me for a report on it. That will be in his hands either this evening or tomorrow morning.

Senator VANDENBERG. I quote from his circular:

The statement on the face of these notes to the effect they are "secured by United States bonds deposited with the Treasury of the United States of America or by like deposit of other securities" is a falsehood.

You dissent from that indictment?

Mr. BELL. Yes, sir.

Senator VANDENBERG. You are going to prove that tomorrow?

Mr. BELL. Yes, sir. Government securities were deposited, just as the act and regulations require. Subsequent to the deposit of the securities, the Federal Reserve System deposited money with the Treasury to redeem the notes. We have the money. That is as much security as the other security. What would be behind them if Government securities were continued to be pledged would be the good faith and credit of the United States, and what you have behind them now in the form of a deposit with the Treasury is still the good faith and credit of the United States. There is no difference in the character of the notes now outstanding, with the good faith and credit behind them, no more difference than there would be if you had a Government bond behind them. There is no difference whatever.

Senator BARKLEY. Is that the same Dr. Spahr that appeared before the committee?

Senator VANDENBERG. He is the secretary of the National Committee on Monetary Policy. He is professor of economics in the New York University.

Senator BARKLEY. That is the same one.

Mr. BELL. He knows better than that, I am sure.

The CHAIRMAN. Are there any other questions, gentlemen?

Are there any other statements to be made by the Treasury regarding this particular bill?

Mr. BELL. Not this bill; no, sir.

Senator BYRD. I would like to ask Mr. Bell if the committee can have the assurance of the Treasury that these obligations, to the extent of \$21,000,000,000 that these corporations can issue, will be sold to the Treasury and thereby included in the public debt?

Mr. BELL. You can get my assurance, so far as I can give it to you. I can assure you that the Treasury does not want anybody else in the market at this time, when we have to raise \$70,000,000,000.

Senator BARKLEY. There is no likelihood that this \$21,000,000,000 is actually going to be sold to anybody, is it?

Senator BYRD. A good deal of it will be because it is financing all of the constructions of these war plants, and everything else.

Mr. BELL. The big part of that has been accomplished. There are very few additional plants.

Senator BYRD. I would certainly be in favor of canceling it.

Senator BARKLEY. I would not say there is no more need of any of it, but I imagine, in view of the fact, that probably the peak of plant construction is passed; no new plants are now being established, I think, outside of synthetic rubber, butadiene, or something like that; the general plan of war plants is just now about accomplished,

and they are under construction. That is why I say I doubt if there is any need for all the \$21,000,000,000.

The CHAIRMAN. The Treasury has followed that announced policy?

Mr. BELL. Yes.

The CHAIRMAN. Since the announcement was made to the committees of Congress and the public?

Mr. BELL. That is right. We expect to follow that.

The CHAIRMAN. A couple of years ago, of course.

Mr. BELL. Yes, sir; since October 1941. Most of this authority is in the Reconstruction Finance Corporation. The Federal Farm Mortgage Corporation and Home Owners' Loan Corporation are liquidating. I think they have shown remarkable results in the last year. Their debts are being paid off very fast.

Senator BYRD. What is the authority of the R. F. C. that has not been used up to date?

Mr. BELL. The total authority of the R. F. C. is \$17,360,000,000.

Senator BYRD. Why is it that the R. F. C. comes before Congress every few months and asks for additional authority?

Mr. BELL. I believe that it has committed most of the balance.

Senator BYRD. Then, it must be more than the \$17,000,000,000 in that case.

Mr. BELL. It is possible they are getting close to that \$17,000,000,000.

Senator BYRD. Then, Senator Barkley is not correct in the statement that this money is not going to be spent.

Senator BARKLEY. I am speaking of the \$21,000,000,000 of the \$32,000,000,000 that has not been committed.

Senator BYRD. He is speaking of the \$17,000,000,000 of the \$21,000,000,000 that must have been committed, because the R. F. C. just recently came up and asked for additional authorization.

Mr. BELL. \$5,000,000,000. They have spent about a \$12,000,000,000 balance of borrowing authority, and I assume a great deal of that has been committed or they would not have asked for another \$5,000,000,000.

Senator BYRD. Is there any way, Mr. Bell, that you could suggest that Congress could exercise some control over these corporations? Their affairs are not audited, they have a blanket authorization to borrow, and, as I understand it, it is entirely determined by the directors of that particular corporation as to what they will borrow and for what purposes; isn't that correct—within the limitation of the law, of course?

Mr. BELL. That is right, within the limitation of the law. In that respect they are a great deal like any department that has a large appropriation for broad general purposes.

Senator BYRD. Why could not the authorizations be made somewhat in the nature of appropriations, and not make a blanket authorization of \$15,000,000,000 or \$20,000,000,000, but to hold it within some limitation whereby Congress could be informed as to what is being done with this money and have some check on it?

Mr. BELL. I think the borrowing authority you give these corporations is in the nature of an appropriation. It is my understanding that the R. F. C. renders a report to you every quarter in detail. If you want to go beyond that, the thing to do is to ask for more detailed reports, or have an audit of your own made. You can probably get

the audit that is already made. I think it is made by some private concern.

Senator BYRD. What is the objection to having the Comptroller General audit the corporations?

Mr. BELL. No objection from my standpoint, but I think the R. F. C. would object.

Senator BYRD. Why would the R. F. C. object?

Mr. BELL. It feels I suppose that there is more flexibility in controlling their own funds, and construing their own authority.

Senator BYRD. Why should they have more flexibility in making the loans than a department has in spending the money appropriated to that department? If he carries out the provision of the law, then the Comptroller General has got to approve the loan, just the same as a department if it carries out the law in disbursing its appropriation. It does seem to me that there should be some control over these corporations, more control than there exists now. I have been suggesting that for years. The corporations are opposed to it. So far as I know, there has never been an audit as to the loans of the H. O. L. C.

You take Mr. Jones, he is paying a subsidy to the oil companies out of some fund that was intended by Congress to be loaned. He is spending \$300,000,000 a year and paying a subsidy to the oil companies to equalize the price of gasoline. I think it was clearly never intended for those purposes. It could not be regarded as a loan, because he has no anticipation of getting it back at all.

Mr. BELL. I was under the impression that that was authorized under the Price Control Act.

Senator BYRD. That is what he contends. I wrote him about it, and that is his reply. Nevertheless, it comes out of the money that is intended to be borrowed and loaned. We do not appropriate to Mr. Jones, except for his administrative expenses, funds for the purpose of immediate disbursement in the way of subsidies, do we? I did not understand that he could make a direct gift of these funds that are appropriated to be loaned. That is what he has done in this case.

Mr. BELL. I think he must have legal opinion that he could do what he has done, under either the R. F. C. law or under the Price Control Act.

Senator BYRD. How can we find out how much of these loans he has made would be returnable to the Government and how much unreturnable? Certainly, that would help.

Senator BARKLEY. These are not direct gifts. They may be called a subsidy, but they are in the nature of undertaking to absorb certain transportation expenses in connection with the transportation of oil and gas for the benefit of the public.

Mr. BELL. That is right.

Senator BARKLEY. The oil company itself does not get a subsidy by way of donation out of the Treasury, as I understand it.

Senator BYRD. It is a gift in the sense that the Treasury does not get it back.

Mr. BELL. It is an attempt to hold down prices through a subsidy.

Senator BYRD. These appropriations we made to the R. F. C. were not for the purpose of making a disbursement or a gift, as I understand it.

Mr. BELL. That was not the purpose of the R. F. C. law, as originally contemplated. Many things have been done since it was first set up, however. You recall Congress on many occasions has authorized Mr. Jones to turn over a half a billion dollars at a time for relief purposes.

Senator BYRD. Mr. Jones has some indefinite authorization in the Price Control Act. If Congress wants to appropriate \$300,000,000 to equalize the price of gasoline, then it should state that is the amount they want to spend for that purpose. He does not contend that \$300,000,000 was made available under the Price Control Act. He has taken some general provision in the Price Control Act as authority for him to do with this \$300,000,000 whatever he desires to do with it, and thereby Congress loses control.

Senator JOHNSON. Will the agricultural subsidies be paid by Mr. Jones, now that we are going to add \$100,000,000 to the agricultural subsidy?

Mr. BELL. I assume they will; either through that organization or the Commodity Credit Corporation.

Senator BARKLEY. I think it is through Commodity Credit.

Senator BYRD. Congress, as I see it, lost practically all control over the disbursements of these corporations.

There should be some way that that could be regained.

Senator VANDENBERG. How does the Board of Economic Warfare operate? Do they have any borrowing power?

Mr. BELL. No, sir. They operate through a corporation. It is either the U. S. Commercial Corporation or some other subdivision of R. F. C.

Senator VANDENBERG. When they require funds, you mean it is not necessary for them to come to the Congress for an appropriation, they can go to a corporation and get the equivalent of an appropriation?

Mr. BELL. I do not know offhand whether they have got to come to Congress for some of the funds, but as I understand it, some of their operations are carried on through the R. F. C. activities. Just to what extent, I cannot say. I think originally they had an allocation from the President's emergency fund.

Senator VANDENBERG. So the determination of a Board of Economic Warfare policy would really pass under Mr. Jones' review rather than the review of Congress?

Mr. BELL. It would pass under the board of directors of whatever corporation it operates through. I think the U. S. Commercial Co., as I recall, has been transferred from Mr. Jones to the Board of Economic Warfare.

Senator VANDENBERG. The only point at which Congress has had any expression on the subject was in the original grant of the general borrowing power to the R. F. C.?

Mr. BELL. That, and specific authority in the act to set up these corporations.

Senator DANAHER. Mr. Chairman, an interruption, please.

The CHAIRMAN. Yes.

Senator DANAHER. I do not believe Mr. Bell would leave the answer in that way if his recollection were refreshed.

Mr. BELL. I would like to have my recollection refreshed.

Senator DANAHER. The fact is that the President, on April 13, 1942, issued an executive order under the terms of which, having outlined the scope of the activities of B. E. W., he gave that agency the power to issue a directive to R. F. C., through its subsidiary corporations, to pay for whatever operations B. E. W. conducts. Actually, B. E. W. spends no money whatever but does draw on R. F. C. corporations to meet the cost of whatever activities B. E. W. operates. Thus, within the scope of the executive order, B. E. W. is sole judge of what it does. R. F. C. has no alternative but to pay the bill. It cannot question it, it cannot approve it, and it cannot disapprove it. It has no voice in it whatsoever. That is as far as the Executive order of April 13, 1942, goes. The fact is that R. F. C. does not approve or disapprove B. E. W. items.

Mr. BELL. I assume the board of directors of the U. S. Commercial Corporation might have some say about it. Is not that board composed largely of B. E. W. nominees?

Senator DANAHER. Yes; which comes back to B. E. W.

Senator BYRD. Do you regard, Mr. Bell, the notes you buy from R. F. C. as an asset?

Mr. BELL. Yes; I would regard them as an asset.

Senator BYRD. The part of that which is given to the public is not an asset, is it?

Mr. BELL. It is an obligation of the R. F. C.

Senator BYRD. Suppose the R. F. C. has got to make good that obligation by having loaned the money, as it is supposed to have done, to other corporations, in this instance they have given the money away?

Mr. BELL. Sooner or later that will be adjusted.

Senator BYRD. As far as your books are now concerned, you regard the notes of R. F. C. as a deduction from the gross debt, is that correct?

Mr. BELL. No.

Senator BYRD. I mean a credit on the debt, as an asset on the Treasury.

Mr. BELL. No; we include an amount equivalent to the obligations that we purchase from them, in the public debt, and we add to the public debt the amount of the guaranteed obligations standing in the hands of the public to get the total public debt and guaranteed debt. There is no offset.

Senator BYRD. You made statements from time to time, the Treasury has, that the notes of the R. F. C. will some day be collected and therefore should be a credit upon the public debt.

Mr. BELL. I think I said to the extent they are collected the proceeds will be applied on the public debt.

Senator BYRD. That is all right if R. F. C. was engaged in a banking business, as it was intended to engage, but apparently now it is going into other fields of activities, where the money will not be recovered, as in the case of the Board of Economic Warfare.

None of that money is recoverable, is it?

Mr. BELL. I do not know what will be recovered from R. F. C. activities.

Senator BYRD. Has the Treasury ever made any appraisalment of the assets of R. F. C.?

Mr. BELL. No, sir, no more than what we submitted in the report to Congress, which was an appraisal by the R. F. C. You realize they could not actually appraise each note. There are thousands of them.

Senator BYRD. They do not assume a loss has occurred until it has actually been sold out and charged off?

Mr. BELL. I think that is right.

Senator DANAHER. Will the Senator hold the record up long enough to ask Mr. Bell to identify the document from which he read as to the war activities?

Mr. BELL. Daily Treasury statement.

Senator DANAHER. Thank you, sir.

The CHAIRMAN. If there are no further matters before the committee, the committee is adjourned subject to call.

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78TH CONGRESS
1ST SESSION

H. R. 1721

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 5, 1943

Mr. GEARHART introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To increase the debt limit of the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the Public Debt Act of 1943.

4 SEC. 2. Section 21 of the Second Liberty Bond Act, as
5 amended, is further amended to read as follows:

6 “SEC. 21. The face amount of obligations issued under
7 the authority of this Act shall not exceed in the aggregate
8 \$210,000,000,000 outstanding at any one time.”

9 SEC. 3. Section 22 of the Second Liberty Bond Act, as
10 amended, is further amended by adding at the end thereof
11 the following subsections:

1 “(h) The Secretary of the Treasury, under such regula-
2 tions as he may prescribe, may authorize or permit payments
3 in connection with the redemption of savings bonds to be
4 made by incorporated banks and trust companies.

5 “(i) Any losses resulting from payments made in con-
6 nection with the redemption of savings bonds shall be re-
7 placed out of the fund established by the Government Losses
8 in Shipment Act, as amended, under such regulations as
9 may be prescribed by the Secretary of the Treasury. The
10 Treasurer of the United States, any Federal Reserve bank,
11 or any incorporated bank or trust company authorized or per-
12 mitted to make payments in connection with the redemption
13 of such bonds, shall be relieved from liability to the United
14 States for such losses, upon a determination by the Secretary
15 of the Treasury that such losses resulted from no fault or
16 negligence on the part of the Treasurer, the Federal Reserve
17 bank, or the incorporated bank or trust company. The Post
18 Office Department or the Postal Service shall be relieved
19 from such liability upon a joint determination by the Post-
20 master General and the Secretary of the Treasury that such
21 losses resulted from no fault or negligence on the part of the
22 Post Office Department or the Postal Service. The pro-
23 visions of section 3 of the Government Losses in Shipment
24 Act, as amended, with respect to the finality of decisions by
25 the Secretary of the Treasury shall apply to the determina-

1 tions made pursuant to this subsection. All recoveries and
2 repayments on account of such losses, as to which replace-
3 ment shall have been made out of the fund, shall be credited
4 to it and shall be available for the purposes thereof. The
5 Secretary of the Treasury shall include in his annual report
6 to the Congress a statement of all payments made from the
7 fund pursuant to this subsection.”

8 SEC. 4. Effective from October 27, 1942, section 4 of
9 the Act of October 2, 1942, entitled “An Act to amend
10 the Emergency Price Control Act of 1942, to aid in pre-
11 venting inflation, and for other purposes”, is amended by
12 striking out “: *Provided*, That the President may, without
13 regard to the limitation contained in clause (2), adjust
14 wages or salaries to the extent that he finds necessary in
15 any case to correct gross inequities and also aid in the
16 effective prosecution of the war”.

78th CONGRESS
1st Session

H. R. 1721

A BILL

To increase the debt limit of the United States,
and for other purposes.

By Mr. GEARHART

FEBRUARY 5, 1943

Referred to the Committee on Ways and Means

78TH CONGRESS
1ST SESSION

H. R. 1722

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 5, 1943

Mr. GEARHART introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To increase the debt limit of the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the Public Debt Act of 1943.

4 SEC. 2. Section 21 of the Second Liberty Bond Act,
5 as amended, is further amended to read as follows:

6 “SEC. 21. The face amount of obligations issued under
7 the authority of this Act shall not exceed in the aggregate
8 \$210,000,000,000 outstanding at any one time.”

9 SEC. 3. Section 22 of the Second Liberty Bond Act, as
10 amended, is further amended by adding at the end thereof
11 the following subsections:

1 “(h) The Secretary of the Treasury, under such regula-
2 tions as he may prescribe, may authorize or permit payments
3 in connection with the redemption of savings bonds to be
4 made by incorporated banks and trust companies.

5 “(i) Any losses resulting from payments made in con-
6 nection with the redemption of savings bonds shall be re-
7 placed out of the fund established by the Government Losses
8 in Shipment Act, as amended, under such regulations as
9 may be prescribed by the Secretary of the Treasury. The
10 Treasurer of the United States, any Federal Reserve bank,
11 or any incorporated bank or trust company authorized or
12 permitted to make payments in connection with the redemp-
13 tion of such bonds, shall be relieved from liability to the
14 United States for such losses, upon a determination by the
15 Secretary of the Treasury that such losses resulted from no
16 fault or negligence on the part of the Treasurer, the Federal
17 Reserve bank, or the incorporated bank or trust company.
18 The Post Office Department or the Postal Service shall be
19 relieved from such liability upon a joint determination by the
20 Postmaster General and the Secretary of the Treasury that
21 such losses resulted from no fault or negligence on the part
22 of the Post Office Department or the Postal Service. The
23 provisions of section 3 of the Government Losses in Ship-
24 ment Act, as amended, with respect to the finality of deci-
25 sions by the Secretary of the Treasury shall apply to the

1 determinations made pursuant to this subsection. All re-
2 coveries and repayments on account of such losses, as to
3 which replacement shall have been made out of the fund,
4 shall be credited to it and shall be available for the purposes
5 thereof. The Secretary of the Treasury shall include in his
6 annual report to the Congress a statement of all payments
7 made from the fund pursuant to this subsection."

8 SEC. 4. No provision of law heretofore enacted (except
9 provisions fixing the compensation of officers and employees
10 of the United States) shall be held or considered to authorize
11 a limitation, in terms of a stated amount of money (whether
12 before or after allowance for any taxes or other items) of
13 the aggregate amount which may, in any stated period of
14 time and without regard to the character of the services
15 rendered, be paid to, accrued in respect of, or received by,
16 any individual as compensation for personal services; and
17 any regulation heretofore issued which prescribes any such
18 limitation shall, to the extent that it so prescribes, be void
19 from the time of its issuance. This section shall not prevent
20 the stabilization of wages or salaries on the basis of levels
21 which existed on any stated date.

78TH CONGRESS
1ST Session

H. R. 1722

A BILL

To increase the debt limit of the United States,
and for other purposes.

By Mr. GEARHART

FEBRUARY 5, 1943

Referred to the Committee on Ways and Means

78TH CONGRESS
1ST SESSION

H. R. 1780

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 10, 1943

MR. DISNEY introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To increase the debt limit of the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That this Act may be cited as the Public Debt Act of 1943.

4 SEC. 2. Section 21 of the Second Liberty Bond Act,
5 as amended, is further amended to read as follows:

6 “SEC. 21. The face amount of obligations issued under
7 the authority of this Act shall not exceed in the aggregate
8 \$210,000,000,000 outstanding at any one time.”

9 SEC. 3. Section 22 of the Second Liberty Bond Act, as
10 amended, is further amended by adding at the end thereof
11 the following subsections:

1 “(h) The Secretary of the Treasury, under such regula-
2 tions as he may prescribe, may authorize or permit payments
3 in connection with the redemption of savings bonds to be
4 made by incorporated banks and trust companies.

5 “(i) Any losses resulting from payments made in con-
6 nection with the redemption of savings bonds shall be re-
7 placed out of the fund established by the Government Losses
8 in Shipment Act, as amended, under such regulations as
9 may be prescribed by the Secretary of the Treasury. The
10 Treasurer of the United States, any Federal Reserve bank,
11 or any incorporated bank or trust company authorized or
12 permitted to make payments in connection with the redemp-
13 tion of such bonds, shall be relieved from liability to the
14 United States for such losses, upon a determination by the
15 Secretary of the Treasury that such losses resulted from no
16 fault or negligence on the part of the Treasurer, the Federal
17 Reserve bank, or the incorporated bank or trust company.
18 The Post Office Department or the Postal Service shall be
19 relieved from such liability upon a joint determination by the
20 Postmaster General and the Secretary of the Treasury that
21 such losses resulted from no fault or negligence on the part
22 of the Post Office Department or the Postal Service. The
23 provisions of section 3 of the Government Losses in Ship-
24 ment Act, as amended, with respect to the finality of deci-
25 sions by the Secretary of the Treasury shall apply to the

1 determinations made pursuant to this subsection. All re-
2 coveries and repayments on account of such losses, as to
3 which replacement shall have been made out of the fund,
4 shall be credited to it and shall be available for the purposes
5 thereof. The Secretary of the Treasury shall include in his
6 annual report to the Congress a statement of all payments
7 made from the fund pursuant to this subsection."

8 SEC. 4. Effective as of October 2, 1942, section 5 of the
9 Act of October 2, 1942, entitled "An Act to amend the
10 Emergency Price Control Act of 1942, to aid in preventing
11 inflation, and for other purposes", is amended by adding
12 subsection (d) to section 5, as follows:

13 "(d) No action shall be taken under authorization of
14 this Act, or otherwise, which will limit the payment of annual
15 salaries to a maximum amount less than the greater of the
16 following:

17 "(1) The annual rate of salary paid to such employee
18 on December 7, 1941; or

19 "(2) An amount which after reduction by the Federal
20 income taxes thereon would equal \$25,000."

78TH CONGRESS
1ST SESSION

H. R. 1780

A BILL

To increase the debt limit of the United States,
and for other purposes.

By Mr. DISNEY

FEBRUARY 10, 1943

Referred to the Committee on Ways and Means

INCREASING THE DEBT LIMIT OF THE UNITED STATES AND FURTHER AMENDING THE SECOND LIBERTY BOND ACT AND ESTABLISHING A SALARY LIMITATION

FEBRUARY 25, 1943.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. DISNEY, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H. R. 1780]

The Committee on Ways and Means, to whom was referred the bill (H. R. 1780), to increase the debt limit of the United States, and for other purposes, having considered the same, report favorably thereon and recommend that the bill do pass.

The bill is designed (1) to increase the public debt limit; (2) to authorize the Secretary of the Treasury to utilize banks and trust companies in connection with the redemption of United States savings bonds; (3) to provide relief for losses incurred in making payments in connection with the redemption of United States savings bonds and (4) establishing a salary limitation.

NEED FOR THE LEGISLATION

It is urgent that the public-debt limit be raised as soon as possible.

In the President's message of January 6, 1943, transmitting the Budget for the fiscal year beginning July 1, 1943, the President stated as follows:

By the end of the current fiscal year, the public debt will total \$135,000,000,000. By June 30, 1944, it will be about \$210,000,000,000 under existing revenue legislation. Before the present debt limit of \$125,000,000,000 is reached, the Congress will be requested to extend that limit.

In accordance with the President's message, the proposed bill provides for increasing the limitation of the public debt from the present limit of \$125,000,000,000 to \$210,000,000,000.

As of December 31, 1942, about \$14,000,000,000 of the present debt limit remained unobligated and within the next 60 days the Treasury

will be obliged to initiate another intensive drive for funds to finance the war program. It is anticipated that the present borrowing authority will be insufficient to cover the necessary debt issues which will be required during the month of April, as it is estimated by the Treasury that the balance remaining as of March 31 will be about \$6,000,000,000.

The 1944 Budget submitted to Congress in January indicates that the deficit for the current fiscal year will amount to \$57,000,000,000 and, in addition, that the Treasury will be required to advance to governmental corporations approximately \$5,000,000,000 to finance their activities. On the basis of these estimates the public debt on June 30, 1943, will amount to \$134,800,000,000. The estimated deficit in the fiscal year beginning July 1, 1943, without taking into consideration any additional budgetary revenues from new taxation, will amount to \$71,000,000,000. The Treasury will also be required to raise \$4,700,000,000 for the governmental corporations. The estimated increase in the public debt for the fiscal year beginning July 1, 1943, based on these estimates, will thus be \$75,700,000,000 and leave a public debt on June 30, 1944, of \$210,500,000,000.

The proposed increase in the debt limit is the amount considered necessary to meet the present and anticipated requirements of the financial program through the next fiscal year.

The Acting Secretary of the Treasury, Mr. D. W. Bell, appeared before your committee and testified with respect to the proposed debt increase limit and also concerning proposed amendments to the Second Liberty Bond Act in connection with the redemption of United States Savings bonds.

The proposed bill would add two new subsections designated as (h) and (i) to section 22 of the Second Liberty Bond Act, as amended.

Subsection (h) would give to the Secretary of the Treasury authority to utilize incorporated banks and trust companies in connection with redemption of United States Savings bonds. At the present time payments are made only by a Federal Reserve bank or by the Treasurer of the United States, but in view of the tremendous increase in sales of such bonds, it is becoming apparent that additional facilities for payment will become necessary in the near future. As sales increase it is natural to assume that the volume of normal redemptions will increase in proportion.

Savings bonds were first offered on March 1, 1935. Your committee is advised that from that date to June 30, 1942, 79,938,502 bonds with a maturity value of \$10,414,673,300 had been issued and 4,685,573 bonds with a maturity value of \$844,994,025 were redeemed; from July 1, 1942, to December 31, 1942, 88,869,000 bonds with a maturity value of \$4,539,725,000 were issued and 5,080,400 bonds with a maturity value of \$266,098,000 were redeemed. None of these figures include bonds of series F or G, and the figures for the period after June 30, 1942, are estimates which cannot be exact by reason of unclassified sales and redemptions not yet reported. Undue delays in redemption must be avoided and the Treasury feels that the requested authority, together with the existing authority already contained in section 22, as amended, authorizing the utilization of the Post Office Department and Postal Service, will be sufficient to enable it to set up, if the occasion necessitates such action, facilities which will permit savings bonds to be redeemed without substantial delays.

Because savings bonds are being issued in such tremendous quantities, the Treasury Department has recommended that redemption procedures be simplified in order to facilitate the handling of the volume of redemptions that will ultimately occur, either before or at the maturity of such bonds. Under present administrative practices, checks and safeguards employed are becoming more costly to administer, and changes in the procedure are desirable from an economy standpoint and to avoid congestion and delay. The ultimate checks and safeguards will not be relaxed. However, in simplifying the intermediate steps payments may be made which result in losses. If any losses should occur, it is the opinion of the Treasury Department that they would be of minor importance and in very small amounts since most of the bonds to be dealt with are of the \$25 denomination, the initial value of which is only \$18.75.

The new subsection (i) of section 22 of the Second Liberty Bond Act would permit the use of the Government losses in shipment fund for the replacement of any losses from payments made in connection with the redemption of United States savings bonds. This would enable the Treasury to clear administrative accounts; to relieve accountable officers of liability for losses for which they would not be responsible, and without undue delay to make payments to persons who may be entitled thereto. This relief may be afforded to the Treasurer of the United States, the Post Office Department, the Postal Service, Federal Reserve banks, and incorporated banks and trust companies for losses incurred in making payments in connection with the redemption of savings bonds. Subsection (i) provides that the extent to which the fund will be availed of will be reported annually to the Congress. Thus, the manner in which the authority requested is exercised by the Treasury will be subject to annual review by the Congress.

Of course, it is contemplated that the full resources of the Government will be used to recover payments in the event they have been made to persons not entitled thereto, and subsection (i) therefore provides that the amounts recovered will be repaid to the fund. Your committee believes that any net losses incurred will be compensated many times over by the amounts of administrative expenses that will be avoided.

EXPLANATION OF BILL BY SECTIONS

Section 1 of the bill provides that the act may be cited as the Public Debt Act of 1943.

Section 2 would increase the public debt limit from \$125,000,000,000 to \$210,000,000,000.

Section 3 proposes to add two new subsections designated (h) and (i) to section 22 of the Second Liberty Bond Act, as amended. Subsection (h) would authorize the Secretary of the Treasury to utilize incorporated banks and trust companies in connection with the redemption of United States Savings bonds. Subsection (i) provides that losses resulting from payments in connection with the redemption of United States Savings bonds may be replaced from the Government losses in shipment fund. Under this subsection relief may be afforded

to the Treasurer of the United States, the Post Office Department, the Postal Service, Federal Reserve banks, and incorporated banks and trust companies for losses incurred in making payments in connection with the redemption of Savings bonds.

Section 4 of the bill amends, retroactively, the act of October 2, 1942, entitled "An Act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes" (known as the Anti-Inflation Act), so as to clarify the provisions of that act relating to ceilings on salaries. Section 4 adds a new subsection to section 5 of that act, providing that nothing in that or any other act should be held to authorize a limitation of annual salaries to a maximum amount less than (1) the rate of salary paid to the employee on December 7, 1941, or (2) the amount which after reduction of taxes thereon would equal \$25,000, whichever is the greater.

CEILINGS ON SALARIES

Shortly stated, section 4 puts a ceiling on salaries as of December 7, 1941. In addition it provides that no salary raises, which exceed \$25,000 after taxes, shall be permitted. In other words, salary hikes above \$25,000 net are prohibited, and peacetime salaries are not reduced or confiscated.

Section 1 of the Anti-Inflation Act grants the President, subject to the limitations of section 3, general authority to establish ceilings on salaries and wages. Section 3 provides that no action should be taken for the purpose of reducing salaries or wages for any particular work below the highest level therefor between January 1 and September 15, 1942, but there was inserted a proviso to this limitation on the President's authority which states that the President may—without regard to the limitation contained in clause (2) adjust wages and salaries to the extent that he finds necessary in any case to correct gross inequities and also aid in the effective prosecution of the war.

The President, on October 3, 1942, issued an Executive order which, among other things, directed the Director of Economic Stabilization to promulgate regulations to limit the amount of salary which any individual might receive to an amount which after reduction by taxes thereon would equal \$25,000. Regulations to carry out this directive were issued by the Director of Economic Stabilization on October 27, 1942. In effect, these regulations reduced all salaries to \$25,000 after taxes, and created what might be called a sub-peacetime limit. But wages were not reduced.

The issuance of the President's Executive order and of the regulations thereunder immediately gave rise to bitter controversy not only with respect to the fairness of the order and regulations, but also the President's authority under the law to issue it.

LOSS OF REVENUE

It is estimated by the staff for the Congressional Joint Committee on Internal Revenue Taxation that the loss in revenue under the Executive order is approximately \$110,000,000. If section 4 is passed, the revenue as compared with that under the Executive order will be increased by \$20,000,000.

NO "WAR MILLIONAIRES"

This has been a popular slogan since World War I. Since World War I there has been a commonly accepted determination in America that another war should not permit the growth of a crop of so-called war millionaires. Congress has made the amassing of large fortunes as a result of World War II practically impossible.

The rates on personal incomes in excess of \$200,000 under the 1942 act are fixed at 88 percent, and the 5 percent Victory tax—with a ceiling of 90 percent. There are State taxes, also. In addition, the same act imposes extremely high excess-profits taxes on corporations, with the avowed purpose of preventing the accumulation of swollen corporate profits and in turn effectively prevents excessive personal profits.

The Renegotiation of Contracts Act passed last year is a further hedge against excessive corporate profits, and in turn, personal profits. The War Department, Navy Department, and Maritime Commission, as well as the Treasury Department have the very widest latitude under this law to renegotiate every contract made with the Government for war purposes. This authority even extends to subcontracts made by the prime contractor. Under the provision of this act, these Departments may, if they choose to be tyrannical, bankrupt practically every contractor who does business with the Government so wide is their latitude. If these Departments exercise reasonable diligence under the Renegotiation Act, there can be no possibility of a crop of "war millionaires." The features these Departments must consider are (a) reasonableness of salaries, (b) amount of reserves which should be permitted corporations, and (c) the ratio of war contract profits to peace contract profits.

In addition to this power of the executive departments, the Treasury has plenary power in the matter of deductions for business expenses which include salaries, and has the power to exclude unreasonable salaries. This power has been steadily exercised by the Treasury.

This amendment made by section 4 to the Anti-inflation Act of 1942 will be another provision of law which, together with those mentioned, will operate to avoid excessive profits being made in World War II, because the amendment has the effect of freezing large salaries at pre-war peacetime levels. At the same time, the amendment recognizes the importance to the American way of life of preserving incentive by not proscribing salary increases where the salary is less than \$25,000 after taxes.

This section provides a method of salary limitation by law rather than by directive. It does not admit of confiscation or liquidation of incomes. This provision offers an orderly, legal process.

COMMENTS ON EVIDENCE OF CONGRESSIONAL INTENT—ANTI-INFLATION
ACT OF 1942

It is recalled that on April 27, 1942, the President transmitted to the Congress a message recommending legislation which, by imposing a supertax, would have the effect of limiting all incomes, including salaries, to \$25,000 after taxes; that responsible officials of the Department of the Treasury outlined to the Ways and Means Com-

mittee the manner in which such an objective could be achieved; and that your committee, after deliberation, determined not to follow the President's recommendation.

It is further recalled that on September 7, 1942, the same recommendation was made by the President in his anti-inflation message but was not acted upon by the Congress; that during the deliberations of the Committee on Banking and Currency in the House on the bill which became the Anti-inflation Act, an amendment was proposed by Representative Patman to carry out this recommendation, and the amendment was rejected by the committee.

It is further recalled that Mr. Steagall, chairman of the Committee on Banking and Currency, who submitted the report of the Committee on Banking and Currency and was in charge of the bill during its consideration in the House, appeared before the Rules Committee for a special rule on the bill. Inquiries were directed to Mr. Steagall if the President could limit salaries to \$25,000 a year under the bill. To this Mr. Steagall replied:

I do not think so. * * * I think the record will show that such is outside of legislative intent; and I do not believe that the President of the United States would deliberately go against a clearly disclosed opinion of Congress. I cannot think that. * * * I am not prepared to say that the President is going to do anything under this proposed measure except what he understands the Congress intends him to do. This is a mandate and a guide for his action.

It will be recalled that in the debate in the House, Chairman Steagall said:

"Gross inequities" are words that have well-established definitions not only in the dictionary but in the lawbooks, and this language carries a very definite guide to the President. This standard could not be disregarded without gross disregard of the expressed will of Congress.

In the other body, a Senator inquired of the member who was in charge of the anti-inflation bill:

I should like to have the opinion of the Senator regarding the use of the words "gross inequities."

To this the member in charge of the bill replied:

We strove to find a phrase which would enable the President to stick as close as reasonably possible to the level of September 15, 1942. We wanted to confine him to allowing increases or decreases only in those cases where great injustice would otherwise be done.

From this chronology, your committee finds that in its judgment it was never the intent of the Congress in either of the anti-inflation bills to give the President authority to issue the Executive order of October 3, 1942, but it is evident that the intent of Congress was to the contrary. The President transmitted on February 17, 1943, to Chairman Doughton a letter covering this subject, which is made a part of this report; also the Executive Order No. 9250.

ELEMENTS OF CONTROL

In addition to section 4, unreasonable salary increases are under the ban of the Treasury and have been for many years. Treasury Decision 5000 is the last of a long line to this end. Your committee points out, in addition to the suggestions heretofore made, that for practical purposes the power of the Treasury under existing law is ample. Under this authority it disallows as cost items and tax

deductions, salary raises that are unreasonable. "Unreasonable" is a term defined by the Treasury regulation; this system has been operative and effective. Besides this, common business prudence would ordinarily restrain business organizations from making unreasonable salary raises during the war period as in peacetime.

The effect of a disallowance by the Treasury under Treasury Decision 5000 is graphically illustrated by the following example which parallels a letter of the Treasury to Congressman Robertson, which appears in the Congressional Record and which related to the 1941 rate, but is herein paraphrased to reflect the rates of the 1942 act:

Assuming a man earning \$10,000 salary in 1942 from a corporation, on which he was liable for Federal income tax for that year, received an increase for 1943 to \$125,000. After investigation by the Bureau of Internal Revenue it is determined that \$25,000 represented a reasonable compensation and that the deduction by the corporation of amounts paid to this man in excess of \$25,000 should be disallowed as a deduction. This would result in the disallowance of \$100,000. Since the individual received the entire amount he would be taxable thereon, and the corporation would be denied the benefit of the deduction of the excessive amount. If this man is a married man having no other dependents his tax liability for 1943 on \$125,000 would be \$91,504, while the liability on \$25,000 (the reasonable salary) would be \$10,438. Hence the tax on the excessive salary would be \$81,066 and the tax assessed against the corporation as a result of the disallowance of the deduction (assuming an excess-profits tax rate of 90 percent and a combined normal and surtax rate of 40 percent) would be \$90,000 (if the corporation is subject to excess-profits tax, and \$40,000 if subject only to normal and surtax). Thus the aggregate of the additional tax to be assessed against the corporation as a result of the disallowance of the excessive salary in the amount of \$100,000 plus the tax payable by the recipient upon the excessive salary would be \$171,066 (if the corporation is subject to excess-profits tax, and \$121,066 if subject only to normal and surtax).

DEFINITION OF SALARY AND WAGES

(For the purposes of this section)

The amendment made by section 4 of the bill applies only to salaries. All forms of direct or indirect compensation for personal services of an employee which is computed on a weekly, monthly, annual, or other comparable basis, except a wage basis, constitutes a salary. Thus bonuses, additional compensation, profit-sharing payments (except that for the purposes of this section compensation calculated by a percentage of corporate earnings before taxes shall not be considered a profit-sharing payment and will not be considered as a "rate of salary") and other similar forms of remuneration to a salaried employee are included as part of his salary. Insurance and pension benefits to the extent that they are reasonable in amount are, however, not included. Wages are to be distinguished from salaries in that wages are compensation for personal services computed on an hourly, daily, piece work, or other comparable basis.

THE PRESIDENT'S LETTER

Congressman Doughton, chairman of the House Committee on Ways and Means, on February 17, 1943, made public a letter from the President, the text of which follows:

Some days ago you wrote me that there was a proposal before your committee to amend the public debt bill by adding a provision nullifying the Executive order issued by me under the act of October 2, 1942, limiting salaries to \$25,000 after taxes, and asked if I cared to submit any views with reference to the proposal. In reply, I told you that I hoped the public debt bill could be passed without

adding amendments not related to the subject, but that if the committee thought otherwise, I would later write you my views.

In a message to the Congress on April 27, 1942, I stated, "* * * discrepancies between low personal incomes and very high personal incomes should be lessened; and I therefore believe that in time of this grave national danger, when all excess income should go to win the war, no American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year." Thereafter the Treasury advised the committee, "To implement the President's proposal, the Treasury now recommends the enactment of a 100 percent war supertax on that part of the net income after regular income tax which exceeds a personal exemption of \$25,000. * * * It is recommended that for the purpose of the supertax, joint returns be made mandatory and that a personal exemption of \$25,000 for each spouse be allowed, or in effect \$50,000 for the married couple."

So far as I know, neither House of the Congress acted upon the recommendation.

When the act of October 2, 1942, was passed, it authorized me to adjust wages or salaries whenever I found it necessary "to correct gross inequities and also aid in the effective prosecution of the war." Pursuant to this authority, I issued an Executive order in which, among other things, it was provided that in order to correct gross inequities and to provide for greater equality in contributing to the war effort, no salary should be authorized to the extent that it exceeds \$25,000 net after the payment of taxes. Provision was made for certain allowances in order to prevent undue hardships.

The legality of the Executive order was attested by the Attorney General, prior to its issuance. No Executive order is issued without such approval.

The regulation issued under this order, with my approval, was so worded that it affected only gross salaries in excess of \$67,200, the amount of taxes due upon such salaries reducing them to approximately \$25,000 net. I could not exercise the discretion vested in me by the Congress to adjust salaries, without finding that it is a gross inequity in wartime to permit one man to receive a salary in excess of \$67,200 a year while the Government is drafting another man and requiring him to serve with the armed forces for \$600 per year. I believed it a gross inequity for the president of a corporation engaged in the production of materials for the Government, to receive a salary and bonus of \$500,000 a year while the workers in the corporation were denied an increase in wages under the provisions of the law and my Executive order. The correction of such inequities, I believed, would aid in the effective prosecution of the war.

I call your attention to the fact that the limitation of salaries was, by the language of the order, limited to the war period; and that the law upon which the order was based expires June 30, 1944, and can be continued only by the affirmative action of the Congress. Therefore, no fair argument can be made that the limitation was intended either by the Congress or by the Executive to become permanent law. The intention was made plain in my original message. I then and there affirmed my belief that this limitation should be made "in time of this grave national danger when all excess income should go to win the war."

This desire to limit personal profits during wartime is no new thought. Its origin is neither alien nor obscure. It is in accord with the solemn pledges of the Republican Party and the Democratic Party.

In 1924, just after our soldiers had returned from the first World War and the leaders of both parties were conscious of the views of the returning soldiers as to war profiteering, the Republican Party declared in its platform:

"We believe that in time of war the Nation should draft for its defense not only its citizens but also every resource which may contribute to success. The country demands that should the United States ever again be called upon to defend itself by arms the President be empowered to draft such material resources and such services as may be required, and to stabilize the prices of services and essential commodities, whether utilized in actual warfare or private activity."

The Democratic Party platform the same year solemnly pledged:

"In the event of war in which the manpower of the Nation is drafted, all other resources should likewise be drafted. This will tend to discourage war by depriving it of its profits."

I repeat, this was in 1924, not 1928, and that these were the platforms of the Republican and Democratic Parties.

I agree with those who say that the limitation of salaries does not deal adequately with the problem of excessive personal profits and that the limitation should extend to all income. My Executive order endeavored to correct the inequity to the extent of the power granted me. The Congress can, however, make the limitation adequate by extending it to the coupon clipper as well as the man who earns the salary.

Therefore, I urge the Congress to levy a special war supertax on net income from whatever source derived (including income from tax-exempt securities) which, after payment of regular income taxes, exceeds \$25,000 in the case of a single person, and \$50,000 in the case of a married couple. If the Congress does not approve the recommendation submitted by the Treasury last June that a flat 100-percent supertax be imposed on such excess incomes, then I hope the Congress will provide a minimum tax of 50 percent with steeply graduated rates as high as 90 percent. The exact amount of the exemptions to be allowed and the exact rate of taxation to be applied are necessarily arbitrary and these are matters the Congress must decide.

If taxes are levied, which substantially accomplish the purpose I have indicated, either in a separate bill or in the general revenue bill you are considering, I shall immediately rescind the section of the Executive order in question. The Congress may appropriately provide that such taxes should take the place of the \$25,000 limitation imposed by Executive order.

I trust, however, that without such tax levies, the Congress will not rescind the limitation and permit the existence of inequities that seriously affect the morale of soldiers and sailors, farmers and workers, imperiling efforts to stabilize wages and prices, and thereby impairing the effective prosecution of the war.

EXECUTIVE ORDER NO. 9250 PROVIDING FOR THE STABILIZING OF THE NATIONAL ECONOMY

By virtue of the authority vested in me by the Constitution and the Statutes, and particularly by the Act of October 2, 1942, entitled "An Act to Amend the Emergency Price Control Act of 1942, to Aid in Preventing Inflation, and for Other Purposes", as President of the United States and Commander in Chief of the Army and Navy, and in order to control so far as possible the inflationary tendencies and the vast dislocations attendant thereon which threaten our military effort and our domestic economic structure, and for the more effective prosecution of the war, it is hereby ordered as follows:

TITLE I. ESTABLISHMENT OF AN OFFICE OF ECONOMIC STABILIZATION

1. There is established in the Office for Emergency Management of the Executive Office of the President an Office of Economic Stabilization at the head of which shall be an Economic Stabilization Director (hereinafter referred to as the Director).

2. There is established in the Office of Economic Stabilization an Economic Stabilization Board with which the Director shall advise and consult. The Board shall consist of the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Chairman of the Board of Governors of the Federal Reserve System, the Director of the Bureau of the Budget, the Price Administrator, the Chairman of the National War Labor Board, and two representatives each of labor, management, and farmers to be appointed by the President. The Director may invite for consultation the head of any other department or agency. The Director shall serve as Chairman of the Board.

3. The Director, with the approval of the President, shall formulate and develop a comprehensive national economic policy relating to the control of civilian purchasing power, prices, rents, wages, salaries, profits, rationing, subsidies, and all related matters—for the purpose of preventing avoidable increases in the cost of living, cooperating in minimizing the unnecessary migration of labor from one business, industry, or region to another, and facilitating the prosecution of the war. To give effect to this comprehensive national economic policy the Director shall have power to issue directives on policy to the Federal departments and agencies concerned.

4. The guiding policy of the Director and of all departments and agencies of the Government shall be to stabilize the cost of living in accordance with the Act of October 2, 1942; and it shall be the duty and responsibility of the Director and of all departments and agencies of the Government to cooperate in the execution of such administrative programs and in the development of such legislative programs as may be necessary to that end. The administration of activities related to the national economic policy shall remain with the departments and agencies now responsible for such activities, but such administration shall conform to the directives on policy issued by the Director.

TITLE II. WAGE AND SALARY STABILIZATION POLICY

1. No increases in wage rates, granted as a result of voluntary agreement, collective bargaining, conciliation, arbitration, or otherwise, and no decreases in wage rates, shall be authorized unless notice of such increases or decreases shall have been filed with the National War Labor Board, and unless the National War Labor Board has approved such increases or decreases.

2. The National War Labor Board shall not approve any increase in the wage rates prevailing on September 15, 1942, unless such increase is necessary to correct maladjustments or inequalities, to eliminate substandards of living, to correct gross inequities, or to aid in the effective prosecution of the war.

Provided, however, that where the National War Labor Board or the Price Administrator shall have reason to believe that a proposed wage increase will require a change in the price ceiling of the commodity or service involved, such proposed increase, if approved by the National War Labor Board, shall become effective only if also approved by the Director.

3. The National War Labor Board shall not approve a decrease in the wages for any particular work below the highest wages paid therefor between January 1, 1942, and September 15, 1942, unless to correct gross inequities and to aid in the effective prosecution of the war.

4. The National War Labor Board shall, by general regulation, make such exemptions from the provisions of this title in the case of small total wage increases or decreases as it deems necessary for the effective administration of this Order.

5. No increases in salaries now in excess of \$5,000 per year (except in instances in which an individual has been assigned to more difficult or responsible work), shall be granted until otherwise determined by the Director.

6. No decrease shall be made in the salary for any particular work below the highest salary paid therefore between January 1, 1942 and September 15, 1942 unless to correct gross inequities and to aid in the effective prosecution of the war.

7. In order to correct gross inequities and to provide for greater equality in contributing to the war effort, the Director is authorized to take the necessary action, and to issue the appropriate regulations, so that, insofar as practicable, no salary shall be authorized under Title III, Section 4 to the extent that it exceeds \$25,000 after the payment of taxes allocable to the sum in excess of \$25,000: Provided, however, that such regulations shall make due allowance for the payment of life insurance premiums on policies heretofore issued, and required payments on fixed obligations heretofore incurred, and shall make provision to prevent undue hardship.

8. The policy of the Federal Government, as established in Executive Order No. 9017 of January 12, 1942, to encourage free collective bargaining between employers and employees is reaffirmed and continued.

9. Insofar as the provisions of Clause (1) of section 302 (c) of the Emergency Price Control Act of 1942 are inconsistent with this Order, they are hereby suspended.

TITLE III. ADMINISTRATION OF WAGE AND SALARY POLICY

1. Except as modified by this Order, the National War Labor Board shall continue to perform the powers, functions, and duties conferred upon it by Executive Order No. 9017,¹ and the functions of said Board are hereby extended to cover all industries and all employees. The National War Labor Board shall continue to follow the procedures specified in said Executive Order.

2. The National War Labor Board shall constitute the agency of the Federal Government authorized to carry out the wage policies stated in this Order, or the directives on policy issued by the Director under this Order. The National War Labor Board is further authorized to issue such rules and regulations as may be necessary for the speedy determination of the propriety of any wage increases or decreases in accordance with this Order, and to avail itself of the services and facilities of such State and Federal departments and agencies as, in the discretion of the National War Labor Board, may be of assistance to the Board.

3. No provision with respect to wages contained in any labor agreement between employers and employees (including the Shipbuilding Stabilization Agreements as amended on May 16, 1942, and the Wage Stabilization Agreement of the Building Construction Industry arrived at May 22, 1942) which is inconsistent with the policy herein enunciated or hereafter formulated by the Director shall be enforced except with the approval of the National War Labor Board

¹ 7 F. R. 237.

within the provisions of this Order. The National War Labor Board shall permit the Shipbuilding Stabilization Committee and the Wage Adjustment Board for the Building Construction Industry, both of which are provided for in the foregoing agreements, to continue to perform their functions therein set forth, except insofar as any of them is inconsistent with the terms of this Order.

4. In order to effectuate the purposes and provisions of this Order and the Act of October 2, 1942, any wage or salary payment made in contravention thereof shall be disregarded by the Executive Departments and other governmental agencies in determining the costs or expenses of any employer for the purpose of any law or regulation, including the Emergency Price Control Act of 1942 or any maximum price regulation thereof, or for the purpose of calculating deductions under the Revenue Laws of the United States or for the purpose of determining costs or expenses under any contract made by or on behalf of the Government of the United States.

TITLE IV. PRICES OF AGRICULTURAL COMMODITIES

1. The prices of agricultural commodities and of commodities manufactured or processed in whole or substantial part from any agricultural commodity shall be stabilized, so far as practicable, on the basis of levels which existed on September 15, 1942, and in compliance with the Act of October 2, 1942.

2. In establishing, maintaining or adjusting maximum prices for agricultural commodities or for commodities processed or manufactured in whole or in substantial part from any agricultural commodity, appropriate deductions shall be made from parity price or comparable price for payments made under the Soil Conservation and Domestic Allotment Act, as amended, parity payments made under the Agricultural Adjustment Act of 1938, as amended, and governmental subsidies.

3. Subject to the directives on policy of the Director, the price of agricultural commodities shall be established or maintained or adjusted jointly by the Secretary of Agriculture and the Price Administrator; and any disagreement between them shall be resolved by the Director. The price of any commodity manufactured or processed in whole or in substantial part from an agricultural commodity shall be established or maintained or adjusted by the Price Administrator, in the same administrative manner provided for under the Emergency Price Control Act of 1942.

4. The provisions of sections 3 (a) and 3 (c) of the Emergency Price Control Act of 1942 are hereby suspended to the extent that such provisions are inconsistent with any or all prices established under this Order for agricultural commodities, or commodities manufactured or processed in whole or in substantial part from an agricultural commodity.

TITLE V. PROFITS AND SUBSIDIES

1. The Price Administrator in fixing, reducing, or increasing prices, shall determine price ceilings in such a manner that profits are prevented which in his judgment are unreasonable or exorbitant.

2. The Director may direct any Federal department or agency including but not limited to, the Department of Agriculture (including the Commodity Credit Corporation and the Surplus Marketing Administration), the Department of Commerce, the Reconstruction Finance Corporation, and other corporations organized pursuant to Section 5d of the Reconstruction Finance Corporation Act, as amended, to use its authority to subsidize and to purchase for resale, if such measures are necessary to insure the maximum necessary production and distribution of any commodity, or to maintain ceiling prices, or to prevent a price rise inconsistent with the purposes of this Order.

TITLE VI. GENERAL PROVISIONS

1. Nothing in this Order shall be construed as affecting the present operation of the Fair Labor Standards Act, the National Labor Relations Act, the Walsh-Healey Act, the Davis-Bacon Act, or the adjustment procedure of the Railway Labor Act.

2. Salaries and wages under this Order shall include all forms of direct or indirect remuneration to an employee or officer for work or personal services performed for an employer or corporation, including but not limited to, bonuses, additional compensation, gifts, commissions, fees, and any other remuneration in any form or medium whatsoever (excluding insurance and pension benefits in a reasonable

amount as determined by the Director); but for the purpose of determining wages or salaries for any period prior to September 16, 1942, such additional compensation shall be taken into account only in cases where it has been customarily paid by employers to their employees. "Salaries" as used in this Order means remuneration for personal services regularly paid on a weekly, monthly, or annual basis.

3. The Director shall, so far as possible, utilize the information, data, and staff services of other Federal departments and agencies which have activities or functions related to national economic policy. All such Federal departments and agencies shall supply available information, data, and services required by the Director in discharging his responsibilities.

4. The Director shall be the agency to receive notice of any increase in the rates or charges of common carriers or other public utilities as provided in the aforesaid Act of October 2, 1942.

5. The Director may perform the functions and duties, and exercise the powers, authority, and discretion conferred upon him by this Order through such officials or agencies, and in such manner, as he may determine. The decision of the Director as to such delegation and the manner of exercise thereof shall be final.

6. The Director, if he deems it necessary, may direct that any policy formulated under this Order shall be enforced by any other department or agency under any other power or authority which may be provided by any of the laws of the United States.

7. The Director, who shall be appointed by the President, shall receive such compensation as the President shall provide, and within the limits of funds which may be made available, may employ necessary personnel and make provision for supplies, facilities, and services necessary to discharge his responsibilities.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, October 3, 1942.

[F. R. Doc. 42-9889; Filed, October 3, 1942; 1:04 p. m.]

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the rules of the House of Representatives, changes in existing law made by the bill are shown as follows [existing law proposed to be omitted is enclosed in black brackets, new matter is shown in italics, existing law in which no change is proposed is shown in roman]:

Section 21 of the Second Liberty Bond Act, as amended:

SEC. 21. The face amount of obligations issued under the authority of this Act shall not exceed in the aggregate ~~[\$125,000,000,000]~~ *\$210,000,000,000* outstanding at any one time.

Section 22 of the Second Liberty Bond Act, as amended:

* * * * *

(h) *The Secretary of the Treasury, under such regulations as he may prescribe, may authorize or permit payments in connection with the redemption of savings bonds to be made by incorporated banks and trust companies.*

(i) *Any losses resulting from payments made in connection with the redemption of savings bonds shall be replaced out of the fund established by the Government Losses in Shipment Act, as amended, under such regulations as may be prescribed by the Secretary of the Treasury. The Treasurer of the United States, any Federal Reserve bank, or any incorporated bank or trust company authorized or permitted to make payments in connection with the redemption of such bonds, shall be relieved from liability to the United States for such losses, upon a determination by the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Treasurer, the Federal Reserve bank, or the incorporated bank or trust company. The Post Office Department or the Postal Service shall be relieved from such liability upon a joint determination by the Postmaster General and the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Post Office Department or the Postal Service. The provisions of section 3 of the Government Losses in Shipment Act, as amended, with respect to the finality of decisions by the Secretary of the Treasury shall apply to the determinations made pursuant to this subsection. All recoveries and repayments on account of such losses, as to which replacement shall have been made out of the fund, shall be credited to it and shall be*

available for the purposes thereof. The Secretary of the Treasury shall include in his annual report to the Congress a statement of all payments made from the fund pursuant to this subsection.

Amendment to section 5 of act of October 2, 1942:

SEC. 5. (a) No employer shall pay, and no employee shall receive, wages or salaries in contravention of the regulations promulgated by the President under this Act. The President shall also prescribe the extent to which any wage or salary payment made in contravention of such regulations shall be disregarded by the executive departments and other governmental agencies in determining the costs or expenses of any employer for the purposes of any other law or regulation.

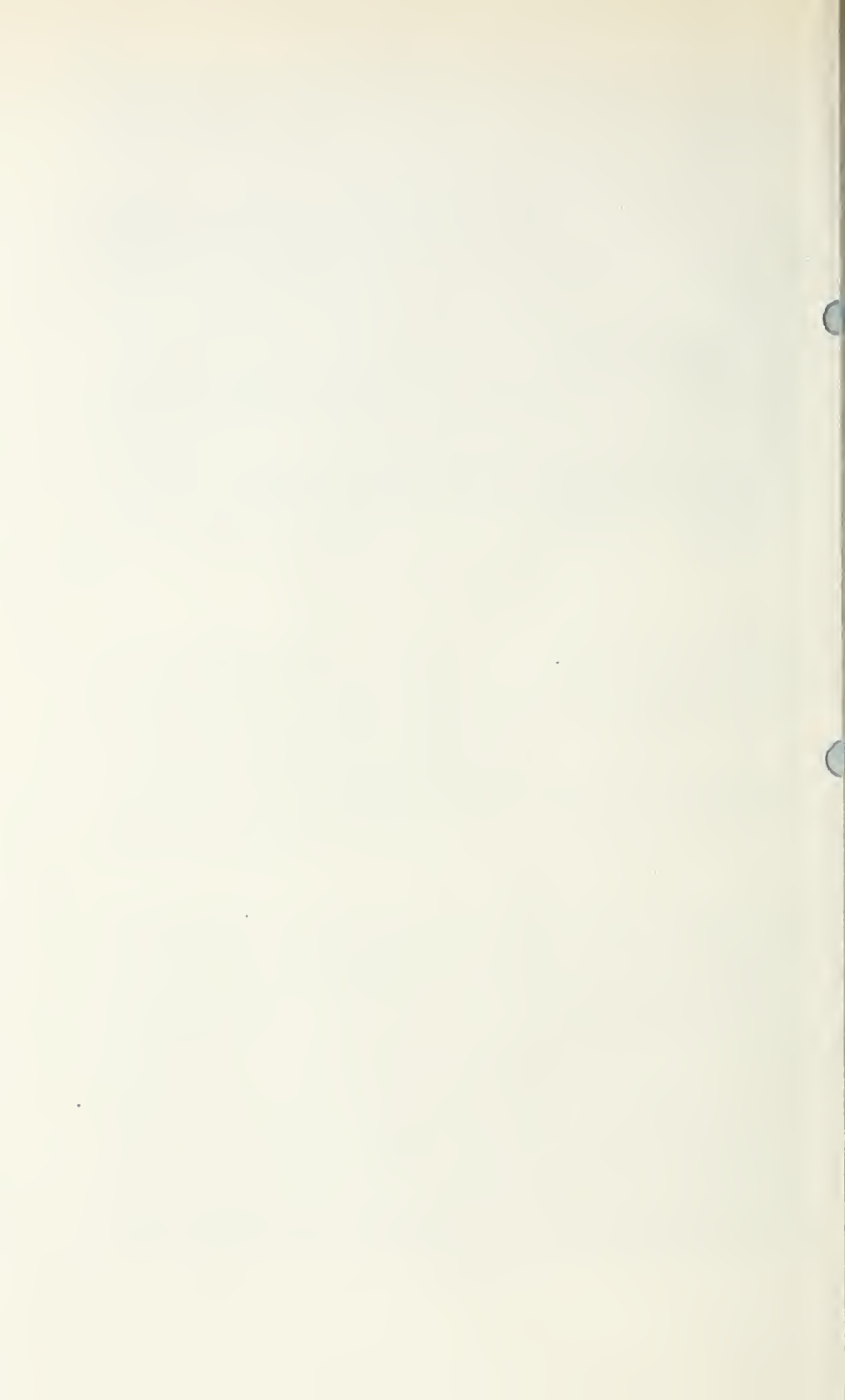
(b) Nothing in this Act shall be construed to prevent the reduction by any private employer of the salary of any of his employees which is at the rate of \$5,000 or more per annum.

(c) The President shall have power by regulation to limit or prohibit the payment of double time except when, because of emergency conditions, an employee is required to work for seven consecutive days in any regularly scheduled work week.

(d) *No action shall be taken under authorization of this Act, or otherwise, which will limit the payment of annual salaries to a maximum amount less than the greater of the following:*

- (1) *The annual rate of salary paid to such employee on December 7, 1941; or*
- (2) *An amount which after reduction by the Federal income taxes thereon would equal \$25,000.*





78TH CONGRESS
1ST SESSION

H. R. 1780

[Report No. 181]

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 10, 1943

Mr. DISNEY introduced the following bill: which was referred to the Committee on Ways and Means

FEBRUARY 25, 1943

Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

A BILL

To increase the debt limit of the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the Public Debt Act of 1943.

4 SEC. 2. Section 21 of the Second Liberty Bond Act,
5 as amended, is further amended to read as follows:

6 “SEC. 21. The face amount of obligations issued under
7 the authority of this Act shall not exceed in the aggregate
8 \$210,000,000,000 outstanding at any one time.”

9 SEC. 3. Section 22 of the Second Liberty Bond Act, as
10 amended, is further amended by adding at the end thereof
11 the following subsections:

1 “(h) The Secretary of the Treasury, under such regula-
2 tions as he may prescribe, may authorize or permit payments
3 in connection with the redemption of savings bonds to be
4 made by incorporated banks and trust companies.

5 “(i) Any losses resulting from payments made in con-
6 nection with the redemption of savings bonds shall be re-
7 placed out of the fund established by the Government Losses
8 in Shipment Act, as amended, under such regulations as
9 may be prescribed by the Secretary of the Treasury. The
10 Treasurer of the United States, any Federal Reserve bank,
11 or any incorporated bank or trust company authorized or
12 permitted to make payments in connection with the redemp-
13 tion of such bonds, shall be relieved from liability to the
14 United States for such losses, upon a determination by the
15 Secretary of the Treasury that such losses resulted from no
16 fault or negligence on the part of the Treasurer, the Federal
17 Reserve bank, or the incorporated bank or trust company.
18 The Post Office Department or the Postal Service shall be
19 relieved from such liability upon a joint determination by the
20 Postmaster General and the Secretary of the Treasury that
21 such losses resulted from no fault or negligence on the part
22 of the Post Office Department or the Postal Service. The
23 provisions of section 3 of the Government Losses in Ship-
24 ment Act, as amended, with respect to the finality of deci-
25 sions by the Secretary of the Treasury shall apply to the

1 determinations made pursuant to this subsection. All re-
2 coveries and repayments on account of such losses, as to
3 which replacement shall have been made out of the fund,
4 shall be credited to it and shall be available for the purposes
5 thereof. The Secretary of the Treasury shall include in his
6 annual report to the Congress a statement of all payments
7 made from the fund pursuant to this subsection.”

8 SEC. 4. Effective as of October 2, 1942, section 5 of the
9 Act of October 2, 1942, entitled “An Act to amend the
10 Emergency Price Control Act of 1942, to aid in preventing
11 inflation, and for other purposes”, is amended by adding
12 subsection (d) to section 5, as follows:

13 “(d) No action shall be taken under authorization of
14 this Act, or otherwise, which will limit the payment of annual
15 salaries to a maximum amount less than the greater of the
16 following:

17 “(1) The annual rate of salary paid to such employee
18 on December 7, 1941; or

19 “(2) An amount which after reduction by the Federal
20 income taxes thereon would equal \$25,000.”

78TH CONGRESS
1ST Session

H. R. 1780

[Report No. 181]

A BILL

To increase the debt limit of the United States,
and for other purposes.

By Mr. DISNEY

FEBRUARY 10, 1943

Referred to the Committee on Ways and Means

FEBRUARY 25, 1943

Committed to the Committee of the Whole House on
the state of the Union and ordered to be printed

prospective settlers; and provides for payments in lieu of taxes out of lease revenues on lands acquired under authority of the bill (p. 1648).

19. Small business. Sen. Maloney, Conn., inserted his correspondence with WPB on assistance for small business (pp. 1648-49).
20. Rubber; alcohol. Sen. Gillette, Iowa, inserted correspondence favoring production of rubber from alcohol (pp. 1649-50).
21. Banking and currency. Sen. Murdock, Utah, inserted correspondence supporting the Silver Purchase Act (p. 1650).
22. Rehabilitation. Passed with amendments S. 180, to provide vocational rehabilitation, education, training, and other services to persons disabled in war industries or otherwise and to render such persons fit for service in war industries, agriculture, etc. (pp. 1651-56, 1676-83).
23. Price control. Sen. Davis, Pa., spoke on the meat shortage and criticized OPA price ceilings (pp. 1666-70).
24. Selective service; food production. Sen. Nye, N. Dak., criticized plans for increasing the armed forces to 11,000,000 men, stating that this would decrease food production (pp. 1670-76).
25. Adjourned until Tues., March 9 (p. 1684).

HOUSE

26. Naval appropriations. Passed as reported H. R. 2068, supplemental naval appropriation bill, which appropriates \$3,816,206,583 additional for the Navy and permits Navy and War Department appropriations to be used for purchasing by other Government agencies through allotments without transfers of funds on Treasury books (pp. 1609-18).
Rep. Murray, Wis., urged elimination of subsidy payments; stating, "The farm organizations and the public at large have indicated their opposition to these subsidies," criticized "the practice of Government taking over business," citing the Commodity Credit Corporation and OPA. Several members discussed this subject. (pp. 1615-17.)
27. Food production. Rep. Flannagan, Va., criticized a recent WPB letter refusing to give priority on materials to a farmer with the suggestion "that you postpone your lambing season until more favorable weather" and the decentralization of agricultural responsibilities, stating "that the Department of Agriculture these days is the last place to go to take up an agricultural question" (pp. 1619-20).
28. Foreign and domestic commerce. Rep. Rogers, Mass., inserted a letter from the Boston Chamber of Commerce urging restoration of funds to the 1944 budget of the Commerce Department to enable continuation of the field work of the Bureau of Foreign and Domestic Commerce (p. 1608).
29. Transportation. Delegate Dimond, Alaska, and Rep. Magnuson, Wash., described and discussed the importance of the Alaska-Canada Highway (pp. 1622-26).
30. Debt limit. Rules Committee reported a resolution for consideration of H. R. 1780, to increase the U. S. public-debt limit (p. 1625).

31. Puerto Rico. Rep. Rankin, Miss., discussed poverty in P. R. and commended Gov. Tugwell's administration (pp. 1626-27).
32. Adjourned until Mon., March 8 (p. 1627). Majority Leader McCormack announced that debate on the lend-lease continuation bill will begin Mon. and that the debt-limit bill will also be considered next week. (p. 1618).

ITEMS IN APPENDIX

33. Price control. Rep. McMurray, Wis., inserted a pronouncement of sentence by a court against a meat packer for violating OPA regulations (p. A1074).
34. Meat inspection. Rep. Gillie, Ind., inserted a Mont. Legislature resolution criticizing transfer of the Meat Inspection Division from BAI to FDA (pp. A1074-75).
35. Manpower investigation. Sen. Green, R. I., inserted his statement before the Appropriations Committee claiming that the size of the armed forces is a "strategic decision of the joint chiefs of staff" (pp. A1076-83).
36. Transportation. Rep. Church, Ill., inserted an article from the Bulletin of the Union League Club of Chicago criticizing the NRPB report, "Transportation and National Policy" (pp. A1083-84).
37. Food supplies. Rep. Pace, Ga., inserted Secretary Wickard's statement at a recent press conference, on the food-supply situation (pp. A1084-85).
38. Food production. Rep. Knutson, Minn., inserted an address by Manager Carnes of the Central Co-operative Association criticizing the shortage of farm labor and farm machinery, subsidies, and price control on farm commodities (pp. A1085-87).
Extension of remarks of Rep. Wilson, Ind., including a letter from an A county-committee chairman favoring continuation of the fee-wheat program, AAA in its present form, soil conservation; incentive payments; more farm machinery insofar as possible; etc. (pp. A1089-90).
Extension of remarks of Rep. Cravens, Ark., criticized the procedure in connection with applications for release from the armed forces to engage in farm labor (pp. A1091-92).
39. Food for Europe. Rep. Wolverton, N. J., inserted an article by Helen Essary favoring shipments of food to the occupied countries of Europe (p. A1092).
40. Consumer requirements. Speech in the House by Rep. Shafer, Mich., criticizing and inserting the Office of Civilian Supplies report giving tables and notes on estimates of minimum civilian consumer requirements (pp. A1034-41).
41. Banking and currency. Rep. White, Idaho, inserted a mining corporation's letter opposing the repeal of the silver-purchase program (pp. A1041-42).
42. Small business. Rep. Patman, Tex., inserted his report on the efforts of the Navy Department and the Procurement Division to aid small business (pp. A1042-44, A1045-46).

ish Columbia, Minister of Pensions and National Health.

That dinner was a further indication of the good will, understanding, and admiration between the two great Nations. I had the honor to sit next to Capt. George Black, former speaker of the Canadian House of Commons, who represents the Yukon Territory. Captain Black at once asked me if I knew you and Tom Riggs, who also is a member of your commission. He spoke most highly of you both, and told of meeting you at a reception given at the home of Gov. Ernest Gruening in Juneau, the Alaska capital.

Near us at the table were many other members of the Canadian Parliament, the bulk of them from British Columbia and Alberta, the Provinces most interested in the Alcan Highway. They asked about you and ANTHONY J. (TONY) DIMOND, Alaska's veteran Delegate in our Congress. Most of them knew TONY and referred to him as one of the outstanding and sincere men of their acquaintance. A British Columbia Member of Parliament told me, "You know, lieutenant, the boundary line between Alaska and British Columbia isn't rigid enough to prevent us from often thinking of TONY DIMOND as practically a representative of British Columbia as well as his own constituency. In fact, we all remember the years when TONY was crusading for adequate defense of our whole north Pacific seacoast."

Many Canadians referred to the long association of the American and Dominion commissions studying plans for an international highway. They inquired after you and Mr. Riggs and Governor Gruening and James Carey and Donald MacDonald. All of them remembered MacDonald's persistent fight for a land route northward.

I think that every American connected with the building the Alcan Highway, be he soldier or civilian, feels a kinship with the people of Canada as the result of the experience. From the Dominion and Provincial governments, from the Royal Mounted, from the people in cities and settlements and countryside—from all of Canada—we have received the utmost in friendliness and co-operation. It is the real epitome of the good neighbor policy.

I recall the time the temperature hit 61 degrees below at Whitehorse in December. The mounties, the townspeople; Mr. Horace Moore, the editor of *The Whitehorse Star*; Bishop Jean Louis Coudert, O. M. I.; Rev. W. G. Chappell—everyone, in fact—were solicitous about us and wondered how we were weathering the biting Arctic climate.

The evidences of cooperation are legion. As Ian Mackenzie stated at the highway opening: "You of the United States provided the toil, we of Canada provided the soil." We have had the honor of sending small bits of the historic opening ribbon to many Canadian citizens, average people as well as public officials. Col. W. F. Von Zelinski, Maj. Mendel Silverman and other Army doctors at Whitehorse have provided attention for Canadians who are ill. J. Lance Rumble of Toronto is on General O'Connor's staff as a technical expert and adviser.

Let me describe the most human incident of all. To my desk in November came a poem sent by a Toronto businessman. He said the author of the poem was Miss Hazel A. McEwan, a school teacher of his city who had been ill for some time. The poem told, in vivid and inspiring terms, what the new highway meant to Miss McEwan. I showed the poem to General O'Connor. He liked it at once. In fact, he committed it to memory that very afternoon. He had Sergeant McNeill, an artist in our headquarters company, letter it on a card illustrated with mountains and Alaskan totem poles.

Congressman HOMER ANGELL, of Oregon, placed Miss McEwan's poem in the Appendix of the CONGRESSIONAL RECORD. Then, from

Ottawa last week, General O'Connor read the entire poem in a talk broadcast nationally by the Canadian Broadcasting Corporation.

From Miss McEwan, in Toronto, we have recently had this letter, "This has been such a happy experience all the way through that it warms my heart. I could fill pages telling you of all the happy contacts which General O'Connor's use of the poem has brought me."

The episode is an indication of the many pleasant relationships which we have had with the people of Canada. I am sure this friendly atmosphere of harmony and understanding must be pleasing to you, in view of your long experience and contact with Canadians as chairman of the Alaskan-Yukon International Highway Commission.

The evening of the dinner tendered us by Mr. Mackenzie, we listened for a few minutes to a debate taking place in the Canadian House of Commons. It was on an issue of relatively minor importance, yet the mere existence of the debate in the historic chamber, beneath the lofty and imposing peace tower, seemed a symbol of free government and constitutional liberty—Ideals which Canada and the United States are mutually committed to preserve and defend.

With best wishes.

Faithfully,

DICK NEUBERGER.

INCREASE IN DEBT LIMIT OF THE UNITED STATES

Mr. CLARK, from the Committee on Rules, submitted the following privileged resolution (H. Res. 149, Rept. No. 214), which was referred to the House Calendar and ordered to be printed:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 1780), to increase the debt limit of the United States, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and shall continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking member of the Committee on Ways and Means, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment, the Committee shall rise and report the same to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion, except one motion to recommit.

PERMISSION TO ADDRESS THE HOUSE

Mr. MAGNUSON. Mr. Speaker, I ask unanimous consent to proceed for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Washington [Mr. Magnuson]?

There was no objection.

Mr. JENSEN. Will the gentleman yield?

Mr. MAGNUSON. I yield to the gentleman.

Mr. JENSEN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein Iowa Senate Concurrent Resolution 20, which reads as follows:

Senate Concurrent Resolution 20

Whereas upon the shoulders of American boys, 18 years of age or over, has been placed the responsibility of forming a part of the armed forces engaged in the present titanic struggle for world liberty, and

Whereas apart from the physical aspects of the sacrifice our younger men are thus called upon to make is the matter of their education. It is a serious and momentous thing, to them and to their country, to interrupt, perhaps to prevent, their academic and professional training; and

Whereas it now appears that it is the purpose of the War Relocation Authority of the United States to accord eligibility to some 2,500 young Japanese-American students, located in war relocation centers, to leave such centers and enter any of a large number of colleges and universities—in other words, to accord the privileges of higher education to a group of young people, citizens by virtue of their birth in this country, whose loyalty and patriotism are rendered doubtful because of their racial extraction, thereby unfitting them to be soldiers, while denying a similar opportunity to our own young men of unquestioned loyalty; and

Whereas it is admitted that practically all of the Japanese-Americans to whom higher education is to be afforded are physically fit and capable of performing services which would be useful to the war effort, where their patriotism might be demonstrated without placing them in a position where possible disloyalty might be perilous: Therefore be it

Resolved by the senate (the house concurring):

1. That no discrimination be shown in the matter of educational advantages, between America's young citizens, of whatever race or nationality—in short, while young men of undoubted loyalty and Caucasian extraction are required to serve in the armed forces, that these young men of Japanese ancestry and less certain loyalty be given opportunity to serve the war effort in ways in which their racial extraction will prove no impediment.

2. That steps be taken, through executive intervention of order, or by means of legislation, if necessary, to prevent allowing Japanese-American youths the privilege of leaving concentration centers and securing an education in American colleges and universities, while the same privilege is denied to loyal American young men called to military service.

3. That if any Japanese-American youths have already been given the privilege of attending colleges and universities, they be returned to their relocation camps; and be it further

Resolved, That a copy of this resolution be sent to the President of the United States, also to the two Iowa Senators, and to the eight Iowa Members of the House of Representatives, and that they thus be petitioned to use their influence and best offices that the injustices mentioned may be avoided.

Mr. CRAVENS. My Speaker, I ask unanimous consent to extend by own remarks in the Appendix of the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas [Mr. Cravens]?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. WILSON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include a resolution from the farmers of Dearborn County, Ind., and others.

The SPEAKER. Is there objection to the request of the gentleman from Indiana [Mr. Wilson]?

There was no objection.

[The matter referred to appears in the Appendix.]

The SPEAKER. The gentleman from Washington [Mr. MAGNUSON] is recognized for 5 minutes.

Mr. MAGNUSON. Mr. Speaker, the Delegate from Alaska has made a very able presentation of the studies made of the so-called Alaskan Highway. As the gentleman from Kentucky so well pointed out, he has been zealous in all the years he has been here in trying to get this means of transportation to his own section of the country, Alaska.

This Congress in 1937 appointed an Alaskan Highway Commission of which I was chairman of the American section, and we worked on the matter along with the Delegate from Alaska.

Like the Delegate from Alaska, this Commission and many of us do not yet believe that the main highway has been built to Alaska. There is a pilot road, a service road that serves a great military purpose. It was completed with dispatch. They will have a little trouble with it when the thaw comes, but things are moving over the road. Primarily, it connects a series of airfields which go over the top, and of course they are vitally important.

The Delegate from Alaska and I, as well as members of this Commission, believe there should also follow a connection from Prince George, which is in about the geographical center of British Columbia, north to this present road into Whitehorse and on into the gentleman's territory. The delegate from Alaska [Mr. DIMOND] has introduced a bill to that effect and I have introduced some bills. We have all introduced bills, but never seem to get any place.

Mr. DIMOND. Mr. Speaker, will the gentleman yield?

Mr. MAGNUSON. I yield to the gentleman from Alaska.

Mr. DIMOND. I have no desire to trade compliments, Mr. Speaker, but justice impels me to say that nobody has been more active or more effective in the project for the construction of the highway to Alaska than the distinguished gentleman from Washington.

With respect to the bills we have introduced severally, and perhaps even collectively, I was reassured the other day by being advised by the House Committee on Roads that the Secretary of the Interior had given a resounding declaration in favor of the construction of this highway between Prince George and Whitehorse in Canada. This morning I was somewhat saddened by receiving another communication through the House Committee on Roads, a letter from the Secretary of War advising against the building of the highway.

Mr. MAGNUSON. Apparently the Secretary of War and the Secretary of the Interior are in conflict on this project. This is what I wanted to bring out. Of course, the responsibility of the Secretary of War is primarily military. It must be, as equipment and men and materials would be used on this connection with the highway to Alaska. I do not know but that the Canadians, who have a group of men stationed in British Columbia, might use some of those men at this time to make this connection, so that you would have the Pacific coast and

all the rest of that territory connected with a road going up to the so-called terminal point, Whitehorse.

The Secretary of the Interior did give us a resounding declaration for the highway. I shall read it to the House. He states:

The location of the route proposed for this supply highway, designated as the A route, would afford a direct line of communication between Seattle, Wash., and Fairbanks, Alaska, and could easily be expanded to serve coastal points—

That is very important—

which would afford transportation facilities for equipment and supplies required in the construction of this highway. Moreover, the terrain to be traversed by the proposed highway would permit expeditious completion.

That is what the gentleman from Alaska and I have always contended.

Although a military highway is now being constructed by the War Department from St. John to Alaska, in my opinion it is still necessary that the President be authorized to proceed with the construction of a direct highway connection between the west coast and Alaska. While the highway from the west coast to Alaska is urgently needed, under the bill the decision as to the commencement of actual construction is properly left discretionary with the President since it is dependent upon the availability of materials, equipment, and labor.

Then the Secretary goes on and accordingly recommends that the bill be passed with an amendment he suggests, and that is what the delegate from Alaska and I are going to strive to do, despite the objection from the Secretary of War. I hope we shall have the backing of this House when the matter comes before us.

EXTENSION OF REMARKS

Mr. MANSFIELD of Montana. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record and include therein a resolution memorializing the Congress of the United States to enact suitable legislation to grant full and complete civil rights to all Indians who are members of, or who served in the United States forces in any war in which the United States is a part.

The SPEAKER. Is there objection to the request of the gentleman from Montana?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. RANKIN. Mr. Speaker, I ask unanimous consent that the speech I made a few moments ago on Capt. Eddie Rickenbacker may be printed in the Appendix of the Record.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

[The matter referred to appears in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. RANKIN. Mr. Speaker, I listened a few moments ago with great interest to the gentleman from North Carolina [Mr. BULWINKLE] discussing William Blackstone, who gave to us the great treatise on the common law, the greatest system of jurisprudence the world has ever known.

I have been shocked to learn lately that many of our law schools are not teaching Blackstone. I hope they will return to it. This is a time when we need to return to the Constitution of the United States; this is a time when we need to hark back to the common law; this is a time when we need to get back to Christianity and those great fundamental principles upon which our civilization is built.

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to proceed for 2 minutes.

The SPEAKER. Is there objection? There was no objection.

Mr. HOFFMAN. Mr. Speaker, the gentleman from Mississippi [Mr. RANKIN] and the gentleman from North Carolina [Mr. BULWINKLE] have been talking about Blackstone. I do not know why they go away back there to talk about a man who has been dead for so many years, even though the principles he advocated are so fine, just so long as you keep men like Rexford Tugwell in this Government and he performs as he has been doing. Why does not the gentleman from Mississippi and the gentleman from North Carolina get around and clean up some of these men who are violating every principle, every good rule that Blackstone ever thought of or laid down. Why not do something about those who live here now?

Mr. RANKIN. I went back there because the gentleman from North Carolina was discussing Blackstone. I did not want to speak about or discuss latter day figures, such as Forbes or Fall or Doheny and all that crowd they had back there in the twenties.

Mr. HOFFMAN. Why not go straight through and come down to the present and get rid of those fellows who are violating those rules?

Mr. RANKIN. The gentleman knows that I am one who has advocated getting rid of everybody on the Federal pay roll who is trying to destroy, or who is even ostensibly trying to destroy American institutions.

Mr. HOFFMAN. The gentleman's party over there has control of that bill before the Committee on Insular Affairs. Why not do something about it?

Mr. RANKIN. I am not on the Committee on Insular Affairs.

Mr. HOFFMAN. But the gentleman can speak to them, and he has a powerful influence on that side.

Mr. RANKIN. And the gentleman from Michigan can also speak to them.

Mr. HOFFMAN. But they do not listen to me, they just pass it on.

Mr. RANKIN. I am not on the Committee on Insular Affairs, but I do not mind discussing the Puerto Rican situation.

The SPEAKER. The time of the gentleman from Michigan has expired.

CONSIDERATION OF H. R. 1780

MARCH 5, 1943.—Referred to the House Calendar and ordered to be printed

Mr. CLARK, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 149]

The Committee on Rules, having had under consideration House Resolution 149, report the same to the House with the recommendation that the resolution do pass.





House Calendar No. 43

78TH CONGRESS
1ST SESSION

H. RES. 149

[Report No. 214]

IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 1943

Mr. CLARK, from the Committee on Rules, reported the following resolution:
which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That immediately upon the adoption of this
2 resolution it shall be in order to move that the House resolve
3 itself into the Committee of the Whole House on the state of
4 the Union for the consideration of the bill (H. R. 1780) to
5 increase the debt limit of the United States, and for other
6 purposes, and all points of order against said bill are hereby
7 waived. That after general debate, which shall be confined
8 to the bill and shall continue not to exceed two hours, to be
9 equally divided and controlled by the chairman and ranking
10 member of the Committee on Ways and Means, the bill shall
11 be read for amendment under the five-minute rule. At the
12 conclusion of the reading of the bill for amendment, the Com-

1 mittee shall rise and report the same to the House with such
 2 amendments as may have been adopted and the previous
 3 question shall be considered as ordered on the bill and amend-
 4 ments thereto to final passage without intervening motion,
 5 except one motion to recommit.

RESOLUTION

Providing for consideration of H. R. 1780, a bill increasing the debt limit of the United States, and for other purposes.

By Mr. Clark

MARCH 5, 1943

Referred to the House Calendar and ordered to be printed

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section

78th-1st, No. 43

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued March 12, 1943, for actions of Thursday, March 11, 1943)

(For staff of the Department only)

Contents

A. A. A.....26	Forestry.....13,19	Rationing.....24,37,42
Appropriations...1,9,12,21	Hogs.....25	Regional Agricultural
Canning.....13,24	Inflation.....11	Credit Corporation...16
Civil service.....15,32	Labor, farm....1,9,11,13	Roads.....30
Commodity Credit	Legislative program....9	Rubber.....11
Corporation....3,9,20	Lend-lease.....5,10,20	Selective service....13,32
Corn.....3	Loans, farm.....16	Small business.....15
Debt limit.....2,9	Machinery, farm...5,11,14	Sugar.....13
Defense investigation...11	Manpower.....11,31	Taxation.....23
Education.....16	Milk marketing.....35	Tobacco-exports.....5
Export control.....39	Nutrition.....33	Transportation.....26
Extension service.....1	Post-war planning....7,22	U. S. Employment Service.1
Farm Security.....1,4,9	Price control....25,36,41	War insurance.....17
Food distribution...20,34	Priorities.....35,43	Wheat.....3,9,29
Food production.....40		

HOUSE

1. Farm-labor appropriation. Agreed to consider H. J. Res. 96 Tues., March 16, after call of the private calendar. The measure, which was introduced by Chairman Cannon and referred to the Appropriations Committee March 11, appropriates \$26,100,000 for the farm-labor program, of which not less than \$100,000 shall be for Extension Service administrative expenses, not less than \$13,500,000 shall be apportioned to the State extension services on the basis of need, and the remaining funds not to exceed \$12,500,000 shall be available to carry out cooperative agreements with the U. S. Employment Service for recruiting and transporting domestic workers from State to State, and imported workers, including "such funds as may be necessary to be apportioned temporarily by the Federal Office of Extension to the Farm Security Administration for the importation of workers from Mexico; provides that farm-labor camps and other shelter facilities shall be operated under Extension Service; and prohibits use of these funds to fix minimum wages or union membership (pp. 1936, 1937).
2. Debt limit. Began debate on H. R. 1780, to increase the U. S. debt limit from \$125,000,000,000 to \$210,000,000,000 and to nullify the President's \$25,000 salary limitation (pp. 1910-34).

3. Commodity Credit; wheat. Rules Committee reported a resolution for consideration of H. J. Res. 83, which, as reported, permits sale of 100,000,000 additional bushels of Government-owned wheat for feed at not less than the parity price of corn (p. 1908).
4. Farm Security investigation. Rules Committee reported without amendment H. Res. 119, to create a select committee "to investigate the activities of the Farm Security Administration; with a view to determining whether or not such activities are being carried on in accordance with the policies of Congress" (H. Rept. 241) (p. 1908).
5. Tobacco exports. Passed without amendment H. R. 2030, to permit shipment tax-free of manufactured tobacco, snuff, cigars, or cigarettes to U. S. territories for members of the armed forces (pp. 1907-08).
6. Farm machinery. Rep. Hill, Colo., inserted a letter from Secretary Wickard announcing revocation of the requirement for transfer of farm machinery to the Government if it is not used to the fullest extent (pp. 1909-10).
7. Post-war planning. Rep. Rizley, Okla., briefly criticized the recent NRPB report (p. 1909).
8. Lend-lease. Received the 8th quarterly report of the Lend-lease Administrator on lend-lease operations. To Foreign Affairs Committee. (H. Doc. 20) (p. 1936.)
9. Legislative program announced by Majority Leader McCormack: Today, debt-limit bill; Mon., consent calendar and wheat-feed bill; Tues., private calendar, farm-labor appropriation, and FSA-investigation resolution; Wed., alien seamen; Thurs., continuation of petroleum investigation; and Fri., War Department civil appropriation bill (p. 1935).

SENATE

10. Lend-lease. Passed, 82-0, without amendment H. R. 1501, to continue the Lend-lease Act for 1 year (pp. 1891-1902). Several Senators referred briefly to food shipments. Later the bill was approved by the President (Law number not yet available).
11. Defense investigation. Sen. Truman, Mo., discussed the report of his defense-investigation committee, claiming that there has been inadequate planning, delay, conflicting authority, and hesitance to adopt unpopular phases of the war program; referring to inflation control, manpower, rubber, farm machinery, farm labor, etc. (pp. 1902-05). Report submitted (S.Rept. 10, pt. 14) (p. 1882).
12. Deficiency appropriations. Began debate on H. R. 1975, first deficiency appropriation bill (pp. 1902, 1906). For the bill's provisions see Digests 32 and 41.
13. Farm labor; selective service. Continued debate on S. 729, providing for the deferment of farmers from military service (pp. 1882-91). Rejected, 32-49, Sen. O'Mahoney's substitute amendment for Sen. Johnson's amendment to this bill (p. 1891). Sen. Bankhead, Ala., explained the intent of this bill as compared to the so-called Tydings amendment limiting deferment to "necessary" farm labor (pp. 1883-87). Sen. Johnson, Colo., stated that the Military Affairs Committee endeavored "to modify the bill so that its application was tied up closely to the farm," and to eliminate forestry, sugar-factory, and canning-factory workers (p. 1886). Sen. Downey, Calif., criticized "two men" in this Department who were "given the authority to determine the units of work

a tax schedule enacted by the Congress which will, in effect, prevent people from keeping and spending on themselves large incomes, during this time of war, whether they be incomes in the form of salaries or incomes from other sources, such as securities. Certainly, however, we cannot justify providing one set of rules to control farm prices and wages and another and much more liberal one with regard to salaries.

The SPEAKER. The time of the gentleman from California has expired.

FIGHT AND NOT SURRENDER

Mr. RIZLEY. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection? There was no objection.

Mr. RIZLEY. Mr. Speaker, the recommendations to the Congress yesterday by the National Planning and Resources Board of a so-called guaranty of full economic security from the cradle to the grave for every individual as the post-war new order for America, is in my humble judgment a full, complete and outright program of national socialism of which the main objectives of the New Deal thus far have been a fore-runner. It entirely supplants the incentive, motive, and free enterprise system, and contemplates a planned and controlled economy based upon restriction, direction, management, and complete supervision of all business, industry, agriculture, and labor by the Government.

Past and current history fully proves that such a system can only operate by and through some form of a dictatorship. This proposal, however, clearly and concisely, in my humble judgment, defines the issue and lays down the challenge, and it is now squarely up to us who oppose this system to accept the challenge or unconditionally surrender. As for me and my household, I propose to fight and not surrender.

EXTENSION OF REMARKS

Mr. MASON. Mr. Speaker, I ask unanimous consent to extend my remarks and include a short editorial on the Hobbs' antiracketeering bill.

The SPEAKER. Is there objection? There was no objection.

[The matter referred to appears in the Appendix.]

(By unanimous consent, Mr. SHAFER was granted permission to extend his own remarks in the Appendix.)

RUPTURE APPLIANCES

Mr. SHAFER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection? There was no objection.

Mr. SHAFER. Mr. Speaker, it is distasteful to be compelled to direct the attention of this House frequently to shortcomings of administration which are causing unnecessary interference with the operation of the essential services for our people. In themselves, each of these things is possibly of minor importances, yet in their cumulative effect they become serious. I know of no other

way to bring them to an end than to mention them in this House.

There has come to my attention today another "directive" or "order" which may, in itself, have serious effects upon the health of war workers and for which there is no apparent justification. This order prohibits the use of rubber by the manufacturers of rupture appliances. Presumably, it emanates from the War Production Board.

The only result of this order will be a serious dislocation of the production of these appliances. It may mean even the complete cessation of their production, for a small amount of rubber is an essential in the process.

It is inconceivable that a continuation of the allotment of this minor amount of rubber could be fraught with peril to the supplies of the armed forces. Possibly the order was issued only in a blanket sort of way, and it is my hope that by calling attention to it proper provisions can be made for continuing the flow of these absolutely necessary appliances.

It would seem to be unnecessary to mention to the House the importance of having these appliances available to our civilian population. We are all disturbed these days over the amount of absenteeism in essential industries. Deprive those who need them of these appliances and absenteeism will grow by leaps and bounds. We know that a ruptured person must have such an appliance if he is to continue his work and do his job. He simply cannot get along without it.

ANNOUNCEMENT

Mr. MAY. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection? There was no objection.

Mr. MAY. Mr. Speaker, I have asked for this time, not for the purpose of making a speech, but in order to make an announcement.

On tomorrow morning at 10 o'clock the War Department will have available for the membership of the House two moving pictures in the caucus room in the old House Office Building. The first is The Nazi Strike and the second is The Battle of Britain.

These are very interesting pictures, disclosing the actual battle fronts and what was going on when these pictures were made and as they will continue to appear. Everybody in the House is invited to be there at 10 o'clock promptly so that the pictures may be finished before 12 o'clock.

The SPEAKER. The time of the gentleman from Kentucky has expired.

COLONEL GINSBURG

Mr. FLANNAGAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection? There was no objection.

Mr. FLANNAGAN. Mr. Speaker, I have just obtained a copy of the Washington Daily News which contains a statement that in my opinion will be resented by every American daddy in this country. The headline is "Ginsburg gets colonelcy in London assignment."

As a father of a boy in the fighting forces, I want to say to the War Department that I do not want Ginsburg placed in charge of my boy. I know the fathers and mothers of America feel the same way.

There has been a great deal of talk going on for months with reference to this very man Ginsburg. If there is any truth in rumors the report is that he has been a draft dodger ever since the Selective Service Act was passed. This Frankfurter protégé, for some reason, it appears, has been receiving preferential treatment since leaving the law school at Harvard. Fearing the draft would get him, some time ago he says he was placed in class II-B because he was considered necessary to the war effort as general counsel for the O. P. A. This classification, I understand, was made upon request of Leon Henderson. What are the facts? Why, he is a youngster, without legal experience or practice and, I understand, never tried a case in court. And, let me add, as general counsel for the O. P. A. he has been chiefly responsible for all the red tape, interminable reports, and senseless orders that have bogged the O. P. A. down. While I have no criticism of Senator Brown for dispensing with his services, I want to say this: If Senator Brown gets rid of him, then let him go where patriotism dictates that he should go—in the United States Army as a buck private. The time for preferential treatment has passed. War calls for fair and equal treatment. Patriotism demands it. Let the draft board induct Ginsburg into the fighting forces as a buck private. If he has the stuff in him, then he can work his way up the same as your boy or any boy.

FARM MACHINERY

Mr. HILL. Mr. Speaker, I have two requests: One to revise and extend my remarks, and the other to proceed for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. HILL. Mr. Speaker, a few days ago I addressed this House on the objectionable clauses in the new farm machinery equipment purchase program. Because of that address I have received a letter from Secretary Wickard, of the Department of Agriculture, withdrawing those clauses in the contracts, and I ask unanimous consent to include the letter as a part of my remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

The letter referred to follows:

DEPARTMENT OF AGRICULTURE.

Washington, March 9, 1943.

HON. WILLIAM S. HILL,

House of Representatives.

DEAR MR. HILL: You will recall our conversation of a few days ago in which you called my attention to the agreement which applicants for purchase certificates for farm machinery have been asked to sign providing for the transfer of the equipment to the Government under certain circumstances. After going into the matter personally I have concluded that the agreement is not necessary to the effectiveness of the farm ma-

chinery program. Accordingly, I have amended the regulation so as to delete that agreement from the application form. Because of the limited supply of new farm machinery and the necessity for obtaining the largest possible farm production, farmers obtaining new farm machinery under the rationing program must agree to make the fullest possible use of the machinery, but they no longer are being asked to agree to transfer the machinery to the Government if it is not used in the manner agreed upon.

Sincerely,

CLAUDE R. WICKARD,
Secretary.

EXTENSION OF REMARKS

Mr. WOODRUFF of Michigan. Mr. Speaker, I have two requests: First, I ask unanimous consent to extend my remarks and to include therein an editorial. Second, I ask unanimous consent to proceed for 1 minute and to extend my remarks in the Appendix.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[Mr. WOODRUFF of Michigan addressed the House. His remarks appear in the Appendix of today's RECORD.]

Mr. JENKINS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an editorial from the Saturday Evening Post.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

THE GINSBURG COLONELCY

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my own remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. HOFFMAN. Mr. Speaker, the gentleman from Virginia [Mr. FLANNAGAN] who just called attention to the newspaper announcement that David Ginsburg, under 30 years of age, a Felix Frankfurter protégé with the O. P. A. is to get a colonelcy in the Army and is to leave for London next Monday, should not be amazed by that news.

Interventionists, New Deal Federal employees, seem to be afforded safe jobs far from the front line fighting, while men from former isolationist territory do much of the fighting.

When the special investigating committee, headed by the gentleman from California [Mr. COSTELLO] moved to call in the O. P. A. and the War Department for a public explanation of claimed draft evasion by employees in their departments, it was announced that Ginsburg would be given a commission as colonel.

Some of us recall that not long ago Walter Reuther, who when in Russia sent back word to his comrades in Detroit to "Fight for a Soviet America," and who had much to do with strikes in Michigan was deferred, given a respite from active service and is now in a soft, safe, Federal berth.

More recently Joseph Curran, president of the Communist-controlled National Maritime Union was given a draft deferment of 6 months. He, too, was one of the most insistent clamorers for a second front in Europe. He passed his draft board physical examination. The union to which he belongs has had not a little to do with strikes, yet when the call for actual fighting men goes out, Curran, like Reuther, like Ginsburg, is deferred.

All too many of those who wanted this country to intervene in the European war now want someone else to do the fighting. When the call is made for fighting men they, like the woodchuck, which with the coming of the first frost, sneaks into a burrow and holes up for the winter, seek a safe hole into which they can crawl and from which they cheer on the men who do their fighting.

Mr. COX. Mr. Speaker, will the gentleman yield?

Mr. HOFFMAN. I yield.

Mr. COX. This Ginsburg affair, in my opinion, is an insult to the patriotism of the fathers and mothers of this country who are giving their sons.

Mr. HOFFMAN. It is not any worse than the favoritism shown Walter Winchell who fights only with his mouth and vile slander.

HIGH-SCHOOL ATHLETICS

Mr. WALTER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. WALTER. Mr. Speaker, on tomorrow representatives of some of the high schools of this Nation who are interested in preserving athletic programs during the coming season will endeavor to convince Mr. Eastman of the advisability of permitting school districts to use their own busses for the transportation of athletic teams to inter-scholastic contests. It has been the experience of those in charge of the training of aviators and aerial gunners that the best reservoir for these men are the high school athletes. I trust every Member, if possible, will take it upon himself to get in touch with Mr. Eastman and suggest that the high schools be permitted to use their busses during the coming athletic season.

EXTENSION OF REMARKS

Mr. GILLIE. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD, and wish to include therein a letter from the Honorable Prentiss Brown, Administrator of the Office of Price Administration with reference to the attitude of his agency toward price ceilings on livestock.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. GILLIE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[Mr. GILLIE addressed the House. His remarks appear in the Appendix of today's RECORD.]

Mr. GILLIE. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I just made and include therein the letters and telegrams referred to.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

EXTENSION OF REMARKS

Mr. SCOTT. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD, and to include therein an editorial from the Philadelphia Inquirer, of March 10, on very much needed aid to postal workers.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. CRAWFORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD, and to include therein certain excerpts from the Saturday Evening Post, an editorial on the Ruml plan.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. PLOESER. Mr. Speaker, I ask unanimous consent to address the House for 30 minutes on Tuesday next after the disposition of the legislative business of the day.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

THE NATIONAL RESOURCES PLANNING BOARD REPORT

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[Mr. RANKIN addressed the House. His remarks appear in the Appendix of today's RECORD.]

EXTENSION OF REMARKS

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD, and include therein a resolution that was adopted by the Senate and the House Committees on Small Business.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

EXTENSION OF DEBT LIMIT

Mr. CLARK. Mr. Speaker, I call up House Resolution 149.

The Clerk read the resolution, as follows:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 1780) to increase the debt limit of the United States, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and shall continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking member of the Committee on Ways and Means, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment, the Committee shall rise and report the same to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion, except one motion to recommit.

Mr. CLARK. Mr. Speaker, for the purpose of debate, I yield 30 minutes to the gentleman from New York [Mr. FISH].

Mr. Speaker, the adoption of this resolution will make in order a bill raising the limitation on the national debt, also the so-called Disney resolution dealing with the question of limitation of salaries.

Mr. Speaker, I now yield 7 minutes to the gentleman from Illinois [Mr. SABATH] for debate.

Mr. SABATH. Mr. Speaker, in compliance with the request of many Members, I feel it my duty to explain what rights the Members will have and what rights they will be deprived of under the rules when we take a vote on the Disney amendment.

Under the rules of the House that we have been and are operating under only one motion to recommit is permissible. This privilege of offering a motion to recommit goes to the minority. However, the minority seems to be in favor of the Disney amendment. The majority of the members of the Ways and Means Committee voted against the Disney amendment, and many Democrats consequently feel that they should have the right and privilege to have a record vote on the Disney amendment and that this right and privilege should not be denied them.

In view of that fact, I humbly endeavored to see whether an agreement could be brought about whereby two motions to recommit would be in order. This would not deny the minority of its right and would give the majority the same right that the minority enjoys—namely, the right to have a record vote on the Disney amendment.

Under the rule now being considered, the minority will offer the motion to recommit, but that motion will not include the Disney amendment. They will probably offer a motion to recommit to reduce the limitation from \$210,000,000,000 to \$209,000,000,000. This will deprive the majority of the right of having a record vote on the Disney amendment.

It is maintained that the committee will have the right to strike out the amendment in the Committee of the Whole, but many Members believe that

there are numerous Members who would vote for the Disney amendment in the Committee of the Whole, where there is not a record vote, but would not vote that way in case there is a record vote. That is the reason I have been importuned, urged, and asked if something could be done to give the majority Members the privilege and the right to go on record on this important amendment.

Nothing has been accomplished or done in this direction and the matter will remain as it is now, the Members having the right to vote on the Disney amendment in committee, but will not have a record vote, which has been sought. Of course, there are many Members who are under the impression and have been led to believe that the President by issuing the Executive order on this proposition limiting incomes to \$67,000 did that without authority. I will leave it to any Member or to any intelligent person who will read the act of 1942 whether the President was given that right and privilege to issue the Executive order. I know that any lawyer or any man who understands the situation will agree with me that that right has been given to the President in the act of 1942.

Mr. WOLCOTT. Will the gentleman yield?

Mr. SABATH. I have only 7 minutes, but I shall be happy to yield to the gentleman.

Mr. WOLCOTT. In view of the gentleman's statement, I wonder if he will point out in Public, No. 729, the act to which he refers, the language which gives the President the right to limit salaries and wages.

Mr. SABATH. Yes; I refer to section 4:

The President may without regard to the limit, if he finds it necessary in any case to correct gross inequities and also aid in the effective prosecution of the war.

This refers also to the provision in the first part of the bill whereby the President may, except as otherwise provided in this act, thereafter provide for making adjustment with respect to prices, wages, and salaries.

Under that provision there is no question but what he has the right of doing that. But whether he has or not, this question is of great importance. I know that all those who desire fair play would like to have a record vote on the Disney amendment because there are many who disagree with that amendment, though they may disagree with the limitation that the President has placed on those who are receiving tremendous salaries.

Mr. MICHENER. Will the gentleman yield?

Mr. SABATH. I yield to the gentleman from Michigan.

Mr. MICHENER. The gentleman has gone into an extensive explanation of this rule. As a matter of fact, this is an open rule. It permits consideration of this bill under the rules of the House, and it gives to the House the right to vote in the Committee and express its will, so that if the House wants to vote for any amendment it is untrammelled and may so vote.

Mr. SABATH. But the Members are deprived of a record vote. I agree with the gentleman, that the House is deprived of a record vote on the Disney amendment. The only thing that can be done now under the rule is to try to defeat the Disney amendment that should be defeated in the Committee of the Whole House on the state of the Union.

The SPEAKER. The gentleman has consumed 7 minutes.

Mr. SABATH. Mr. Speaker, in conclusion let me say that under the law now the wages of labor are frozen, but under the Disney amendment, if enacted, employers would be privileged to increase the salaries of their secretaries, confidential employees, clerks, or stenographers up to \$67,200. The Disney amendment would further fix salaries as of December 7, 1941, notwithstanding that in 1940 and 1941 salaries were increased 100 to 200 percent. In my opinion, the Disney amendment protects war profiteers. Some gentlemen contend that the Executive order restricting incomes to \$67,200 is objectionable. Yes; it is objectionable to those whose salaries have ranged from \$100,000,000 to \$500,000,000 annually. Therefore, I had hoped for a record vote on the Disney amendment and regret exceedingly that I have been unable to bring that about. Therefore, those Members who are not interested in war profiteers but in fair play to the masses should be on the floor of the House tomorrow when the House is in the Committee of the Whole to vote to strike out the unfair Disney amendment.

Mr. FISH. Mr. Speaker, I yield myself 6 minutes.

Mr. Speaker, this rule was adopted virtually unanimously to bring the pending bill before the House for consideration. I desire at this time to take just a few minutes to discuss the constitutional aspects of the situation, which involves probably the greatest constitutional issue that has been presented to the House in the last decade.

Everyone knows that for the last 10 years the House has been supinely delegating away its legislative powers to the Chief Executive. But last November there was a political revolution. On November 3, 1942, new Members of Congress were sent here with a mandate direct from the people to restore the legislative powers of Congress, to restore representative and constitutional government in the United States, to put an end to one-man and one-party government, and to stop the march to totalitarianism in our own country.

I want to discuss the intent of Congress, which was clear and manifest. The President, above all, knew the intent of Congress. On two different occasions the great revenue committees of the Congress, the Committee on Ways and Means of the House and the Committee on Finance of the Senate, refused to comply with the request of the President to set a ceiling on wages of \$25,000 net. No one in the country can deny the intent of Congress. Yet, the day after the anti-inflation bill was passed, the President, in utter disregard of and in open violation of the intent of Congress,

established a \$25,000 net ceiling on salaries by directive.

That is the issue before the Congress. This new Congress has an opportunity today to make clear by its action that it will legislate according to the Constitution and meet every defiance of the Congress and of the Constitution, whether it is by the President or by the bureaucrats, and will restore government by law instead of by men or by directives.

Mr. SABATH. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield to the gentleman from Illinois.

Mr. SABATH. The bureaucrats have nothing to do with this. Will the gentleman read section 4 and that proviso, and then say that the President was not given the power to act as he has? I know he is not a friend of the President.

Mr. FISH. I may say to the gentleman I am quite familiar with that section. I do not believe that section gives any authority to the President to establish a blanket ceiling on salaries.

I desire to confine my remarks to one simple issue, the intent of the Congress of the United States that was clearly manifested by both committees of the Congress that deal with revenue matters, and far more important, the Committee on Ways and Means of the House of Representatives, which under the Constitution initiates all revenue bills. They refused to comply with the request of the President to establish a \$25,000 net salary limitation. That was the intent of the Congress, and that intent was deliberately violated and disregarded by the President of the United States. That is the reason for this bill being before us. I hope the Members of Congress, out of regard for their own constitutional rights will uphold the Committee on Ways and Means and the manifest intent of the Congress and vote for the Disney amendment and for the bill.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield to the gentleman from Montana.

Mr. O'CONNOR. Aside from the phase the gentleman is discussing, may I have the gentleman's views on this question? The President made an order apparently limiting salaries to \$25,000 after the income tax is paid. I am wondering what the gentleman thinks about the faultiness of that order, which does not cover at all income from tax-exempt securities or from investments or profits.

Mr. FISH. Mr. Speaker, I do not want to get involved in any other issue than the constitutional one, and the intent of Congress, which was very clear throughout the last Congress; and that intent was deliberately violated by the President.

In conclusion, may I read to the House what the chairman of the Committee on Banking and Currency had to say when he appeared before the Committee on Rules asking for a rule on the anti-inflation bill.

I do not believe—

Said the gentleman from Alabama [Mr. STEAGALL]—

that the President of the United States would deliberately go against the clearly disclosed

opinion of the Congress. This is a mandate and a guide for his action.

That statement was made by the gentleman from Alabama, Chairman STEAGALL, the spokesman for that bill in the House. He made it very clear that if the President should, by directive, set a \$25,000 limitation he would be violating the intent and the mandate of the Congress of the United States.

I am in favor of the Disney amendment and the bill and hope that constitutional Democrats will support both.

The SPEAKER. The time of the gentleman from New York has expired.

Mr. CLARK. Mr. Speaker, I yield 7 minutes to the gentleman from Georgia [Mr. Cox].

Mr. COX. Mr. Speaker, may we not express our views frankly, but kindly, on the controversial question involved? The President, in promulgating this order, was probably endeavoring to give voice to public feeling on war profiteering and on equal contribution and sacrifice to the war effort.

In the President's letter to Chairman DOUGHTON, he gives a political twist to the argument in defense of the order which will make difficult support of the Disney proposal by those who are timid at heart.

In my opinion the order should be vacated for two main reasons: First, it is wholly without authority in law. Second, it violates the expressed and well-known intent of Congress. On the first proposition there may be room for honest difference of opinion, but on the second there can be none.

The Banking and Currency Committee expressly rejected the proposal to put a limitation on salaries in the original bill. The gentleman from Alabama [Mr. STEAGALL], the chairman of the committee, in his appearance before the Rules Committee, asking for a rule, stated that no such authority was carried in the bill and that no such power would be assumed by the President. He later repeated that statement here on the floor when the bill was under consideration. Virtually the same thing took place in the Senate.

The intent of Congress and Members' understanding of what the law meant was well known in executive circles; and if there was the purpose of giving the law a different meaning and of ignoring expressed congressional intent, then the duty lay somewhere of making disclosure of executive purpose before the law was adopted. Good government requires that the legislative and executive departments of government function upon the basis of mutual respect and confidence.

It is neither good government nor good practice to distort the meaning of words or phrases completely out of their accepted definitions and meanings in order to establish a doubtful basis for an even more doubtful exercise of an assumed power.

If the President or any other officer of the Government can arbitrarily raise wages and salaries, on the one hand, by whatever complicated methods may be employed, and at the same time curtail salaries on the other hand, that official is wielding more power than is safe to be vested in any one individual.

If the President can exercise such arbitrary power in limiting salaries, he could just as logically exercise the same sort of arbitrary power in saying where citizens can work, what work they shall do, what they shall receive for it, or whether they shall work at all. Again I say this is too much power to be vested in any one person.

This arbitrary act of establishing a salary limitation was not necessary because there are methods which are constitutional by which to cure any defects, to establish any equalization, as between incomes. There is the taxing power, and that power has been exercised. It can be exercised still further and undoubtedly will. There is, however, a point of diminishing return beyond which we cannot go in taxation without defeating the objective desired. The power to tax is the power to destroy, and no individual ought ever to be allowed for a single moment to exercise such power. Since the power to tax is the power to destroy, it ought to be exercised only by this Congress under the close scrutiny of the people themselves.

The fact that only a few people are affected by this order makes no difference. It is the principle involved which concerns me. I am interested in the preservation of our free enterprise system which is under threat. If the order is wrong, it makes no difference whether it injures ditch diggers or coupon clippers; it makes no difference whether it injures or infringes the rights of mechanics or industrial managers. If it is wrong it ought to be vacated, and vacated now.

Equalization does not lie in limiting the opportunities for some, but it lies in expanding the opportunities for all. It is un-American to put a limitation on opportunity. It is un-American to destroy hope, individual initiative, and private enterprise. This is a principle underlying the Declaration of Independence, built into the foundation of the Constitution, and embedded in the Bill of Rights. If we permit it to be violated, we are headed for a form of government we do not want. The Congress wants and needs public confidence, but to enjoy public confidence, the Congress must justify it. This is an opportunity for the Congress to demand respect for high principle, evidence its devotion to the public welfare, and to defend and protect government by law.

Mr. FISH. Mr. Speaker, I yield 10 minutes to the gentleman from Indiana [Mr. HALLECK].

Mr. HALLECK. Mr. Speaker, the proposal before us today is certainly non-political and nonpartisan. My understanding is that it was reported out of the Committee on Ways and Means by a vote of 15 to 10. This of necessity means that at least 5 of the Members of the majority party supported the bill.

As far as the Rules Committee is concerned, and there has been something said about this rule, I would like to suggest that there the consideration of the bill was on a nonpartisan and nonpolitical basis. It is true that the chairman of the committee and possibly some others thought that perhaps some separate vote might be had on the so-called

Disney amendment, but that view did not prevail in the committee. It has been already suggested why it did not prevail, but to me the best reason for being against such a special rule as that is that about every time we get a bill for consideration, it has some things in it that perhaps we do not like quite as well as we do some others. But under the general rules of the House, when the final vote comes, you do not have a chance to pick out the good apples from the bad apples, but you vote generally on the bill. Beyond that, as has been suggested, if the House, sitting in the Committee of the Whole, wants to strike out any part of this bill, then the House will support any amendment to do just that thing.

Our very lovable and amiable chairman of the Committee on Rules rather intimated that maybe some of our membership might be a little lacking in courage and might prefer to vote in the committee. I do not subscribe to that view. One might suggest that the vote in committee might more nearly reflect the real, honest attitude of the membership.

Mr. SABATH. Mr. Speaker, will the gentleman yield?

Mr. HALLECK. Briefly.

Mr. SABATH. I do not know where the gentleman gets the idea of quoting me that part of the membership did not have the courage. I stated that they desired the opportunity to go on record, and that would not indicate they did not have the courage. They had the courage to vote, and wanted to go on record.

Mr. HALLECK. I am very happy to accept the correction, and I am glad that that statement of the chairman will appear in my remarks.

Mr. FORD. Mr. Speaker, will the gentleman yield?

Mr. HALLECK. No. I would like to proceed with my statement. The fact of the matter is that the President on numerous occasions asked of Congress this sort of limitation, which was to be written in law, not in an Executive order. To my mind, asking that sort of legislation from Congress definitely recognized that the matter is a legislative problem, to be determined by the legislative branch and not by the executive branch. The committees, in their wisdom, rejected those requests. Subsequently, in the fall of 1942, the Banking and Currency Committee reported out a bill as an amendment to the Price Control Act. That committee had specifically turned down an amendment to limit salaries to \$25,000. The members of that committee came to the Rules Committee for a rule. At that time there had been suggestions that the Executive might seek to write the limitations that had been expressly turned down in Congress, into some Executive order under alleged authority in that act. The question was specifically asked there whether or not the authority was included in the act, and it was definitely said there was no such authority, and that position maintained through all of the debates not only in this body but in the other body.

Now, when this bill was before the Rules Committee a few days ago, it was

suggested, for the first time, that certain Members of this body and of the other body had definite, positive information that the Executive believed that the authority was contained in the act, and, what is more, that it would be exercised. I do not want to chastize anybody, but I say this, that if any Member of this body, or any other body, had that information, then there was upon him the duty to get up in the House, or in the other body, and give that information to the membership, particularly in view of the fact that all of the rest of us were going along on the proposition that there was no such authority in the act.

The chairman again suggested that any lawyer who would read the act of October 2, 1942, must recognize that the authority is in the act for this Executive order. I used to practice a little law before I came down here. Sometimes it has been suggested that I was making an honest living then. I have read this act forward and backward, and I can find no such authority. I would like to read a little of it to you.

Mr. SABATH. Mr. Speaker, will the gentleman yield?

Mr. HALLECK. Briefly.

Mr. SABATH. I know the gentleman does not mean what he said, that formerly when he practiced law he made an honest living. That would leave an inference that he is not doing the same thing now—earning an honest living.

Mr. HALLECK. Of course, the gentleman knows that I was facetious in that statement. I am working harder now than I ever worked in my life.

If you will just bear with me, this act was an act providing for the issuing of a general order stabilizing prices, wages, and salaries. Now it is also provided that that stabilizing should be, as far as practicable, on the basis of levels which existed on September 15, 1942. I went to the trouble of looking in the dictionary to see what stabilizing means. It means to make stable, to make things fixed, as distinct from fluid, changing. What was the clear intent of that authority? It was to stabilize, to fix prices, wages, and salaries at the level that existed, so far as practicable. To violently reduce certain salaries under the general order first issued is clearly not stabilization at existing levels. Then it went on to say that thereafter, after you had made a general stabilizing order, the President might make exceptions to correct gross inequities, or to aid in the prosecution of the war. As the chairman of the Banking and Currency Committee said at the time before the Rules Committee, inequities have a general meaning in the mind of everybody, and a clear meaning in the law, and in his mind they did not contemplate any such authority as this.

Now, does the order of the President, as far as it applies to net incomes of \$25,000, constitute a stabilization order? Does it fix salaries at the point where they were at a given level? Of course, it does not. Those that are above \$25,000 net are brought down to \$25,000 net, and certain of those that are below \$25,000 net are permitted to increase to that fig-

ure. It is the exact antithesis of stabilization.

The gentleman from Tennessee [Mr. GORE], who will probably speak today, appeared before the Rules Committee in opposition to the Disney amendment, and referred to the proposal he had when we considered the first price-control bill, which was a definite over-all freezing of prices, wages, and salaries. He indicated his conviction that that still was a sound proposition. Then he went on to complain, however, that after we enacted the bill which we did enact—and it may be said I stood with him on his original proposal—that certain salaries away down below \$25,000 net had come up in rather striking manner, and he pointed that out as a reason why, if you are going to stabilize wages and farm prices, you should do something about these salaries. My answer to that is that the limitation order entered by the President did not have the effect, by his own statement about it, of stabilizing those salaries or of fixing them. I also charge that under the authority given by the Congress in the act of 1942, the President had authority to stabilize salaries; to fix them. After fixing them he could correct gross inequities, but again I insist that did not authorize his order setting an arbitrary limit.

The SPEAKER pro tempore (Mr. PATMAN). The time of the gentleman from Indiana has expired.

Mr. FISH. Mr. Speaker, I yield the gentleman 2 additional minutes.

Mr. HALLECK. The President had authority to fix these salaries and stabilize them, to prevent increases, if the President had so seen fit to do, which leads me, without rancor or bitterness, to inquire whether or not this limitation is for something other than the stabilizing of prices, salaries, and wages in the interest of controlling the cost of living.

Mr. GORE. Mr. Speaker, will the gentleman yield?

Mr. HALLECK. I yield briefly to the gentleman from Tennessee.

Mr. GORE. I wanted to point out to the gentleman that the examples of the outrageous salary increase which I pointed out before the Rules Committee were in effect at the end of the fiscal year, which was prior to the issuance of the Executive order of the President under the Price Control Act, of which the gentleman complains.

Mr. HALLECK. That may be true, although I did not get that from the gentleman's statement. But as a matter of fact, there is authority to stabilize salaries as the Congress intended, and if that construction of subparagraph 5, title 2, has not been invoked, then it is the fault of the President and not the fault of the Congress.

Mr. KNUTSON. Will the gentleman yield?

Mr. HALLECK. I yield to the gentleman briefly.

Mr. KNUTSON. Has it been brought out in the debate that if the President's order is to stand, the Treasury will lose \$112,000,000? Under Mr. GEARHART's proposal it will recapture the \$112,000,000, and under the Disney proposal it will recapture about \$20,000,000.

Mr. HALLECK. Those facts are in the report. It will probably be brought out in the debate.

Now, if you will bear with me, there have been too many cases where the clear intent of Congress in this 1942 act has been avoided. The construction of statutes, as any lawyer knows, is one of the most difficult jobs that anyone can run up against in the practice of the law. The courts are likewise up against it. As lawyers, we contend for our view of the construction; but in the old days the courts used to look for the letter and the spirit and the legislative intent and apply it accordingly. Not even the Chief Executive should distort language and flout clear intent in applying a statute.

The SPEAKER pro tempore. The time of the gentleman has again expired.

Mr. FISH. Mr. Speaker, I yield the gentleman 2 additional minutes.

Mr. HALLECK. Corn ceiling prices were fixed in direct contravention of the statute. Now they say they are going to change it. Why? Because there was a vote of 78 to 2 in the other body to undo what they attempted to do by Executive order, in contravention of the statute, and the House is getting ready to act.

The same thing might be said of the direct provision that fair margins shall be permitted to processors of agricultural products. Members of the Small Business Committee know that the small packers of this country have been almost choked to death by executive disregard of the plain wording and intent of the Congress of the United States. I say it is high time that the Congress put an end to that kind of business.

The statute provides for doing away with inequities and aiding in the effective prosecution of the war. The Executive order says "to provide for greater equality in contributing to the war effort"—words used apart and different from the words of the statute itself.

As far as the limitation on earnings in wartime is concerned, I stand for an intensely graduated income tax, and for all other proper controls.

I do not think anyone ought to get rich out of this war. According to my view, the Ways and Means Committee with their tax bills and their renegotiation acts and all the other things, have been moving very definitely in the direction of seeing to it that people do not get rich out of this war effort. But when you clamp on a definite limit, does it not represent a radical departure from every American tradition to which we have subscribed? I never expect to get my salary or earnings up to these figures, but I am one of those who subscribes to the philosophy which holds that the incentive to get ahead is what has builded this great country. I am disturbed by another thing. That is, if you can fix salaries at \$25,000, why not \$10,000 or \$5,000 or \$3,000 or \$2,000. I shudder to think of the political power inherent in a bidding of that sort. But in any event, if salaries are to be definitely limited, that is a matter for Congress to determine, and not for the Executive to determine. If such a limit is deemed desirable, then let the Congress make a fair and square determination. Let

there be no subterfuge or Executive usurpation.

The SPEAKER pro tempore. The time of the gentleman from Indiana has again expired.

Mr. FISH. Mr. Speaker, I yield to the gentleman from South Dakota [Mr. CASE] as much time as he may desire.

Mr. CASE. Mr. Speaker, I ask unanimous consent to extend my own remarks and to include a sentence from the committee report on the operation of renegotiation statute.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

Mr. FISH. Mr. Speaker, I yield to the gentleman from New York [Mr. REED] such time as he may desire.

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to extend my remarks in the Appendix and to include an editorial.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. FISH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

Mr. SABATH. Mr. Speaker, I ask the same privilege, to revise and extend.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. CLARK. Mr. Speaker, I yield 5 minutes to the gentleman from Virginia [Mr. SMITH].

Mr. SMITH of Virginia. Mr. Speaker, I favor the purposes of this bill. Whatever may be said about the technical language contained in the bill under which the President fixes the \$25,000 limitation, whatever may be said about the interpretation of that language, the indisputable fact remains that both the House and the Senate were assured by the managers who handled the bill on the floor that the bill would contain no such provision and had no such ulterior purpose.

Mr. Speaker, I believe that the Congress of the United States should very jealously guard its constitutional prerogative, to be the exclusive legislative body for this Nation, and when anybody trespasses upon this jurisdiction, whether it be the President or the executive departments, Congress should lose no time in asserting its right and its jurisdiction.

I am disturbed about the language as it is used in this act; as I have said on other occasions on the floor of the House, the bill as it was written, is divided into two sections, one provides against lowering any salary as it existed at the time of Pearl Harbor; and the second clause is the one which I am fearful about. I will read it because it is just a brief sentence. It provides that the maximum shall not be fixed unless the amount, which after reduction by Federal income taxes thereon, would equal \$25,000. That is what disturbs me about it. We have undertaken to fix wages of the man in

overalls; we have undertaken to stabilize that in accordance with the Little Steel formula, so he cannot get a raise of over 15 percent. We have provided for ceilings over the prices at which farmers may sell their products. Now this second clause, unless I am mistaken in my construction of it—and I do not think I am—provides that any person making a salary, no matter how small, at the time of Pearl Harbor, even if he were getting only \$2,500 a year, could have that salary increased to \$67,200 before the law would go into operation.

My friends, how are we going to defend a policy that will fix the Little Steel formula on the working man but as to the white-collared man, will fix no limitation until he gets \$67,200 salary?

Mr. GORE. Will the gentleman yield?

Mr. SMITH of Virginia. I am sorry, my time is limited.

To my mind, we cannot defend that in debate; we cannot defend it with anyone. I do not know what the answer is. I have tried my hand at drafting an amendment. I am just bringing to the attention of the House that I think you will do yourselves and the country a great injustice if you undertake to fix a limitation on the wages of working men and then undertake to say to the other fellows their salaries can go up to the limit of \$67,200 before the law will undertake to limit the salaries.

I yield back the balance of my time.

The SPEAKER. The time of the gentleman has expired.

Mr. FISH. Mr. Speaker, I yield the balance of my time to the gentleman from California [Mr. GEARHART].

The SPEAKER. The gentleman from California [Mr. GEARHART] is recognized for 9½ minutes.

Mr. GEARHART. Mr. Speaker, this to me is the most solemn day it has been mine to experience in my 9 years of service in this body. Today the Congress has the first opportunity to vindicate its constitutional prerogatives.

This bill to which the resolution under consideration refers is the first bill that offers to us the opportunity of reasserting the legislative functions which the Constitution reposes in the Congress. I fully realize that ingenious arguments will be advanced to lead one to the conclusion that the Price, Wage, and Salary Stabilization Act contains the power which the Executive exercised in the preparation and promulgation of the regulation limiting salaries to a fixed sum, the regulation which has been so offensive to the country, the regulation which flies in the face of the intent of this Congress, the intent which, if you please, has been so clearly expressed on so many occasions. To justify it, it will take ingenious arguments indeed, ingenious argument which will make it necessary to recall to our minds the happenings which are within our memories and to contemplate asserted events which no Members of this Congress except possibly one, who has declared himself, and two or three others whose names have been suppressed by the one of our colleagues whose course of action in his relation to us I cannot approve.

Mr. COLMER. Mr. Speaker, will the gentleman yield?

Mr. GEARHART. I prefer not to yield until I have developed my argument.

I want to say as a practicing lawyer of some years of experience that there is nothing in this price-stabilization bill to sustain or support any such regulation as this. We have, therefore, a clear case before us of usurpation of the legislative authority, a usurpation which it is our solemn duty to immediately repudiate, a usurpation which we must immediately recall. This, Mr. Speaker, is our first opportunity to do that thing. This Congress, acting through every one of its legislative agencies that had anything to do with this anti-inflation program, did its utmost to make sure that the act we had under consideration would not be used to do the very self-same thing that it was later used to accomplish.

This matter of a \$25,000 limitation came before us in a most conspicuous way—in the form of a message from the President of the United States. That message, in accordance with the usages of Congress, was referred to the Ways and Means Committee, where it was given very serious and careful study, to be later unanimously rejected by that committee. Thereafter, as the revenue bill of last year came on this floor, not a word was said about the \$25,000 limitation. It was passed by the House without anyone asking why the committee had not acted upon the Presidential message. Then the bill went to the Senate. The Presidential message was submitted to the Finance Committee of that body, which carefully and painstakingly investigated the propriety of the Presidential recommendation, and the Finance Committee thereupon laid it on the table without action. The revenue bill then came up for debate in the Senate on the floor, where not a word was said about failure to act on a limitation of \$25,000. The Congress could not have expressed itself in its two Finance Committees more emphatically; the Congress could not have expressed itself more clearly upon the floor of each of its great legislative bodies. Thereafter the price, wage, and salary limitation bill came on for consideration. When that bill was before the Banking and Currency Committee of this House, Government witnesses who testified in support of the measure were interrogated searchingly, and each one of them gave it as his opinion that there was nothing in the bill which would permit the writing of a \$25,000 salary limitation regulation.

One of the members of that committee, the genial gentleman who occupied the chair just a moment ago, the gentleman from Texas [Mr. PATMAN], a member of the committee, offered an amendment which would have imposed the \$25,000 limitation which the President advocated, and the House Banking and Currency Committee voted that down by an almost 2 to 1 majority vote.

Thereafter the chairman of the committee, under a mandate from his committeemen so to do, appeared before the Rules Committee of this House and asked for a rule for the consideration

of the price, wage, and salary limitation bill which his committee had reported.

In that room at that time there sat a member of the then House Banking and Currency Committee who had been present when the Patman amendment was voted down, who listened to the proceedings before the Rules Committee, listened to the testimony of his own chairman, did nothing to express a contrary view; he did nothing except to go over and whisper in the ear of one of the members of the Rules Committee that he did not share the chairman's views that there was no authority in that bill to justify a \$25,000 salary limitation regulation; whereupon the gentleman from Georgia [Mr. COX], the member of the committee he addressed, interrogated the gentleman from Alabama [Mr. STEAGALL] in detail in reference to that.

I quote the exact testimony:

Mr. COX. Can the President limit the salary of an individual to \$25,000 net a year?

Mr. STEAGALL. I do not think so.

Mr. COX. Members on your committee (the House Banking and Currency Committee) contend that he can do that very thing.

Mr. STEAGALL. I question that. I think the record will show that such is outside of the legislative intent; and I do not believe that the President of the United States would deliberately go against a clearly disclosed opinion of Congress. I cannot think that. I know that he has some men advising him with whom I do not agree and whose judgment I do not always approve; but I am not prepared to say that the President is going to do anything under this proposed measure except what he understands the Congress intends for him to do. This is a mandate and guide for his action.

Still one of our own Members who had a contrary opinion, who was a member of the committee of which the gentleman from Alabama [Mr. STEAGALL] is chairman, remained silent in the face of that statement.

The SPEAKER. The time of the gentleman has expired.

(Mr. GEARHART asked and was given permission to revise and extend his own remarks in the RECORD.)

Mr. CLARK. Mr. Speaker, I yield 2 minutes to the gentleman from Mississippi [Mr. COLMER].

Mr. COLMER. Mr. Speaker, a moment ago I sought unsuccessfully to have the gentleman from California [Mr. GEARHART] yield to me for the purpose of obtaining his reaction to the proposition just raised by the gentleman from Virginia [Mr. SMITH]. And now I have requested this time to emphasize the apparent truth of the position taken by the gentleman from Virginia [Mr. SMITH]. In other words, under the provisions of section 4 of this bill a man who was making a salary of \$3,000 per year at the time of Pearl Harbor might receive salary increases up to some \$67,000, while the wage earner is limited under the so-called Little Steel formula to a 15 percent increase. And the farmer is likewise, by previous action of Congress under the price control bill, limited to an increase of 90 percent of parity. Now this just does not seem fair and does not make for uniform treat-

ment of the American citizenship generally.

Mr. HALLECK. Will the gentleman yield?

Mr. COLMER. I will be glad to yield to the gentleman if I have time.

Mr. HALLECK. A reading of the 1942 Stabilization Act will disclose that there is complete authority in the President to stabilize salaries in compliance with the intent of the act, even to stabilize wages or to stabilize the prices of farm products, and that the situation to which the gentleman refers could very properly under the legislative intent of this act be done as the gentleman thinks it should be done.

Mr. COOPER. It cannot be done under section 4 of this bill.

Mr. HALLECK. I recognize that, but section 4 does not repeal the 1942 act.

Mr. COLMER. Mr. Speaker, I do not agree with the statement of the gentleman from Indiana [Mr. HALLECK]. I am just as much alarmed by the socialistic tendencies of this whole proposition of doing away with the initiative and incentive to accumulate as any Member of this House. I am unalterably opposed to any attempt on the part of the President, or anyone else, to usurp the prerogatives of the Congress by Executive decree. I shall always be as zealous as anyone in guarding the trust reposed in the Members of the Congress to vigilantly guard against the encroachment of either the bureaucrats or the executive department to transgress upon those rights. But I do not feel that I could be a party to sharply curtailing the right, by legislative action, of the laboring classes and the farmers of this country—as well as all other classes—to reap the profit of their labors and at the same time to pick out the salaried class for preference. They should all be fed out of the same spoon.

Moreover, I have repeatedly stated from the floor of this House and in other public places that I do not believe that any man has the right to grow rich out of the sweat, tears, and blood expended in this war any more than a man has the right to strike against his Government.

Mr. Speaker, the whole question is one that should be handled by taxation.

The SPEAKER. The time of the gentleman has expired.

Mr. CLARK. Mr. Speaker, I yield 7 minutes to the gentleman from Tennessee [Mr. GORE].

Mr. GORE. Mr. Speaker, the question just propounded by the gentleman from Mississippi, I think, has been answered in the Executive order issued by the President under authority of the act. The thing of which the gentleman complains would be done by this proposal. Salaries are now regulated since the issuance of the order. They would be prohibited from being regulated until the income of a single man reached the level of \$67,200 per annum and that of a married man even much higher by the Disney proposal.

Mr. Speaker, I want to first impress upon the Members the importance of

this anti-inflation fight. I submit to you that all signs, as plain as guideposts, have from the beginning and do now point to a very long conflict and in my humble opinion, in the final analysis, it will be as much an endurance contest between the stability of the respective belligerent national economies as it is a conflict of military might. We cannot afford to allow things to run wild, we cannot take the chance of economic chaos here at home, we cannot run the risk of being defeated because of an internal crack-up.

Next, I want to impress upon the Members the importance to the whole picture of this question of salary regulation. Of course, I do not contend that exercising control over the relatively few people affected by this would be of as much material importance as it is of psychological importance. Coming back to the question asked by the gentleman from Mississippi, how can you expect this Government to hold the line against the surge of Nation-wide wage increases when we as a Congress prohibit any control of salaries until that of a single man reaches \$67,500? How can we expect the farmers to be satisfied, the wage earners to be satisfied, with ceilings imposed by the Government?

We talk about incentive. Yes, I believe in incentives, it has made America great, but to the farmers in your district and to the wage earners in your district and the district of the gentleman from Indiana and the district of the gentleman from California, it must sound like empty rhetoric to talk about giving incentive to a man to the extent of \$67,500 per annum, if he was up to that on December 7, when rigid control is imposed upon the laborers and the farmers. We ought to talk about American equality. That is a principle of the Constitution also.

I want to challenge the accuracy of the committee report, and let me read to you three leading sentences in the report. I do not know who wrote it. I have high respect for the Ways and Means Committee and I take it this arose out of a misunderstanding. Here are the three leading sentences in this report. I take it the gentleman from Oklahoma wrote the report. If he did, he did something in his bill which he did not intend to do, because listen to this:

Section 4 puts a ceiling on salaries as of December 7, 1941.

There is nothing of the sort in the bill. Here is the next sentence:

In addition, it provides that no salary raises which exceed \$25,000 after taxes shall be permitted.

Mr. DISNEY. Will the gentleman yield?

Mr. GORE. I will yield if the gentleman will explain these sentences.

Mr. DISNEY. What is the matter?

Mr. GORE. I decline to yield if the gentleman cannot answer the question.

Mr. DISNEY. I did not say I could not answer it.

Mr. GORE. In addition the report says that no salary increases which exceed \$25,000 after taxes shall be permitted. Again, Mr. Speaker, there is nothing in the bill of that kind. There is no limitation in the bill. It is only a

restriction on the President. There is nothing affirmative in the bill. While the gentleman from California says this is a fine opportunity for the Congress to reassert itself, there is not an affirmative thing in the bill. All it does is restrict the President. The bill itself establishes no limitations on salaries. I submit to you that this report is misleading to the Congress.

Let me read another sentence:

In other words, salary hikes above \$25,000 net are prohibited.

There is no such prohibition in the act. If you need any refutation, I think I can give it in the language of the report itself in another section. I read:

At the same time, the amendment recognizes the importance to the American way of life of preserving incentive by not proscribing salary increases where the salary is less than \$25,000 after taxes.

I have read you conflicting sentences side by side in this report. I do not think the bill does what the gentleman from Oklahoma intended.

This whole proposal has been clothed in misrepresentation. It is stated that the President acted in violation of law. I submit to you that he did not. I submit to you that it has not been challenged in the courts of the lands, which are still open.

The SPEAKER. The time of the gentleman from Tennessee has expired.

Mr. CLARK. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

Mr. DISNEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 1780) to increase the debt limit of the United States, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 1780, with Mr. WOODRUM of Virginia in the chair.

The Clerk read the title of the bill.

The first reading of the bill was dispensed with.

Mr. DISNEY. Mr. Chairman, I yield 5 minutes to the gentleman from Tennessee [Mr. GORE].

Mr. GORE. Mr. Chairman, the gentleman from Oklahoma is very kind to permit me to conclude the argument I was presenting a few moments ago.

I submit that under the terms of the bill there can be no question of the authority of the President to do what he did. As to whether or not Congress intended it, there might be debate. But, Mr. Chairman, the President is not a mind reader, neither is the Supreme Court of this land. The first thing to which the Supreme Court or anyone, to my mind, would look in determining the intent of Congress would be what Congress did.

The gentleman from California says a recommendation was referred to the Committee on Ways and Means and that that committee refused to act favorably on it. Subsequent to that, however, on September 7, the President again sent

a message to Congress recommending a limitation. Following that, Congress acted. We passed the price-control bill of 1942, which contained the authority, in my humble opinion, and I submit to you that at the time of the passage of this bill, as referred to by the gentleman from California, I entertained the humble opinion that such authority was in the bill. I further entertained the opinion that it would be exercised.

Mr. DEWEY. Mr. Chairman, will the gentleman yield?

Mr. GORE. I yield to the gentleman from Illinois.

Mr. DEWEY. I know my friend and former colleague on the Committee on Banking and Currency, for whom I not only have a high respect but a deep affection, always wants to be fair in his statements.

Mr. GORE. I thank the gentleman.

Mr. DEWEY. The gentleman will recall, I am sure, how he and I put our heads together in connection with a certain bill that was then before the Committee on Banking and Currency, certain features of which we agreed were not in line with the President's request for stabilization.

Mr. GORE. The gentleman from Illinois proved himself to be a very able collaborator.

Mr. DEWEY. We had a very pleasant collaboration on both sides of the table, six Democrats and five Republicans getting together that evening to discuss the features of the bill. We wrote a new bill. I cannot recall that at that time there was any statement at all as far as this price-control bill that was ultimately passed having any reference to salaries is concerned; in fact, when we brought the matter before the Committee on Banking and Currency and it was being discussed before the committee, one of our colleagues, the gentleman from Texas, a member of the committee, offered some amendments that would permit the control of salaries.

Mr. GORE. Will the gentleman not use all of my time? I have only 5 minutes.

Mr. DEWEY. I will be as brief as I can, but I think in fairness I should make this statement, because the gentleman was there.

Mr. GORE. Will the gentleman let me complete my statement? My time is almost gone.

Mr. DEWEY. I will terminate in two words.

Mr. GORE. All right.

Mr. DEWEY. The gentleman will recall that the gentleman from Texas brought up at that time an amendment to control salaries and it was voted down. If I am not mistaken, I believe my colleague from Tennessee voted to reject that amendment.

Mr. GORE. The gentleman, as I remember it, is correct, and I voted against the amendment of the gentleman from Texas, but the gentleman will further recall that he had a rather ironclad agreement that those of us who were in support of the bill would oppose any amendment to it, and the gentleman will further recall that as we drafted this bill we had the same clause apply to wages,

salaries, and prices, which was that in the event the President found the existence of gross inequity he had authority to make adjustments, and we thought—

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. GORE. Would the gentleman from Minnesota yield me a couple of minutes?

Mr. KNUTSON. Mr. Chairman, I yield the gentleman 2 minutes more.

Mr. GORE. In order that this question may be settled, at least in the minds of those who are not prejudiced in the matter, let me read part of the act. The first sentence is—

That in order to aid in the effective prosecution of the war the President is authorized—

And, mark you—

directed on or before January 1, 1942, to issue a general order stabilizing prices, wages, and salaries.

Now go to section 4 under which authority the President acted. We find that—

He may, without regard to the limitations contained in clause 2, adjust wages and salaries to the extent that he—

Not us—

that he (the President) finds necessary in any case, to correct gross inequities, and also aid in the effective prosecution of the war.

To whom is it left to determine what is a gross inequity? He, the President of the United States. Talk about Congress doing this thing by law! The gentleman from California [Mr. GEARHART] knows that I as one Member tried to do it by law, but we turned it over to the President, and you know and I know why.

Mr. GEARHART. Congress voted it down.

Mr. GORE. And if it were not out of disrespect for the Congress I would say that the intent was to get rid of a hot potato by turning it over to the President. And now, after he exercises it, we come and complain. I submit that as to the intent, we must first look to what we did. The first presumption is, in any court of the land, as to legislative intent, that the Congress or any legislature is presumed to have intended to do what it did do.

The CHAIRMAN. The time of the gentleman from Tennessee has again expired.

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. GEARHART].

Mr. GEARHART. Mr. Chairman, we have just heard that ingenious argument that I told you was coming. There is no reason, no justification, for any such statutory interpretation. This stabilization acts puts the authority in the President to act under section 1, not under the proviso of section 4. The initial move must consist in selecting a date between January 1, 1942, and September 15, 1942, and upon that date stabilize wages or salaries or prices. That is the initial move that must be made by the Chief Executive under this act. That is the authority we conferred upon him, that and that alone. If it should

afterward appear that gross inequities had resulted, then and in that event the President is given the authority to correct them. And here we have the unusual situation of the Executive ignoring the initial step, and jumping down to the relief provision and using that relief provision as the authority for his initial act, ignoring completely the mandate contained in section 1.

Miss SUMNER of Illinois. How can the President or any other man find a gross inequity when it does not exist?

Mr. GEARHART. And I ask in return, how can he assert gross inequities without any showing whatsoever?

Mr. O'CONNOR. Mr. Chairman, will the gentleman yield?

Mr. GEARHART. Oh, I do not want to get into a discussion of the legal sufficiency of the bill. Let us leave that to later discussion. My time is too short.

Mr. O'CONNOR. I have a very high regard for the gentleman's opinion, and I would like to have his opinion on this point, because I think the gentleman is on sound ground now. Here is the thing which bothers me, this section 4. The President has already issued his order. I do not see that there is anything in the section to attempt to make it retroactive as to the act itself. If we do pass this bill, does it or does it not repeal the Executive order the President issued nearly a year ago?

Mr. GEARHART. I have profound respect for the gentleman's legal opinion, and if he feels that there is a defect there, I suggest that he prepare an amendment to correct it, but I do not want to discuss that phase at this time. I want to talk about other things.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. GEARHART. I must yield to my colleague on the committee, the gentleman from Tennessee.

Mr. COOPER. I am sure the gentleman will agree with me that section 4 of this bill does not repeal this Executive order.

Mr. GEARHART. As I said before, I do not want to discuss this. I want to address myself to another subject. I hope you will not divert me from matters I consider far more important. Formal defects, if they exist, are too easily corrected.

Mr. HALLECK. Mr. Chairman, will the gentleman yield?

Mr. GEARHART. Yes; I cannot refuse to yield to the able Representative from Indiana.

Mr. HALLECK. If this bill should become law and is in any way in contravention of the Executive order, is there any question as to which bill would take effect?

Mr. GEARHART. It certainly should be interpreted as another revelation of the intent of the Congress that the Chief Executive should not deal with this subject. We have done everything that we could do as legislators, as Members of the Congress of the United States. We have done everything, I repeat, to make manifest to the Chief Executive that we did not intend that he should use the stabilization act for the purpose he did use it for.

At this point I want to call attention again to the amazing, strange, the extraordinary performance that occurred before the Rules Committee just a few days ago, the Rules Committee, if you please, that brought in the rule that we had under consideration just a moment ago. There appeared then the gentleman from Tennessee [Mr. GORE] to tell us what? To reveal for the first time to any Member of Congress that he knew all along, that he knew all along, if you please, that the President was just waiting, just waiting, just biding his time, when the bill would come to his desk so that he could seize upon it as a justification for putting into force and effect the very regulation against which we are today so vigorously protesting.

I have in my hands a transcript of the sworn testimony that he gave before the Rules Committee at that time.

Mr. GORE. Will the gentleman yield?

Mr. GEARHART. I am going to read it to you. I want you to hear it. Yes; I will yield, but I will yield after I read the testimony that you gave before the Rules Committee last week. This is it:

Mr. GORE. I knew it was going to be exercised. * * * The statement upon which I base my opinion was made to me in the presence of some very distinguished gentlemen who are Members of both the House and the Senate.

Mr. HALLECK then interjected to ask this question:

Was that statement made by an individual of consequence in the Government and do you think that those who heard it had good reason to rely upon it?

To which you, Mr. GORE, responded:

They are men in the Government whom I cannot quote.

If I understand proprieties, and I think I do, there is only one man in the Government of the United States that you cannot quote. That is the President of the United States. If that statement you made is to be accepted with all of its implications, you are not alone guilty of remaining silent when, in my opinion, you should have raised your voice. You mentioned two or three other important men of the House of Representatives and the Senate, who, like yourself, have remained silent when they should have put the Congress aright. Membership which was laboring under the opinion that it had clearly made evident to the Chief Executive the intent we entertained in respect to the Stabilization Act, that it should not be used for the purpose for which it was used.

I have a little more evidence to put before you that comes out of this highly offensive regulation to which I have just referred.

Mr. GORE. The gentleman promised to yield to me.

Mr. GEARHART. Very well, I will yield if you want me to yield.

Mr. GORE. This word "guilt" which the gentleman has used could be applied to those who were not diligent enough to read the plain language of the act. Further replying to the gentleman, he seemed to infer that I had not disclosed to any Member of the Congress the fact

that I entertained that conviction at the time the bill was passed.

Mr. GEARHART. You disclosed it to the gentleman from Georgia [Mr. Cox], and immediately Mr. Cox asked the chairman of your committee in your presence, right at that point, if he thought that the act could be used for that purpose, and your chairman replied in your presence that nothing like that was in the intent of the Banking and Currency Committee or the Congress or anybody interested in that bill, and you remained silent.

Mr. GORE. Will the gentleman yield further?

Mr. GEARHART. No; I have talked to you enough. I am going on with my speech. You have had your say.

Mr. GORE. Well, will the gentleman yield?

Mr. HOFFMAN. Mr. Chairman, the regular order.

Mr. GEARHART. Now, Mr. Chairman, I want to call attention to another matter. That regulation, prepared by and foisted upon and later promulgated by the Chief Executive after, it would seem, someone had been lying in ambush for the Congress of the United States, lying in wait for National Legislature, those who kept silent in face of the oft revealed intention of this Congress, revealed time and time again those who remained silent, until the regulation appeared. What came out in that regulation besides the \$25,000 limitation? Let me read you a little quotation from this regulation that has aroused such indignation, only three lines, if you please:

Any determination of the Commissioner of Internal Revenue shall be final and shall not be subject to review by the tax court of the United States or by any civil proceeding.

That, Mr. Chairman, is a confession of those bureaucrats down at the bottom of the Hill who wrote this regulation, that they knew they were exceeding their authority. If not, why should they take the pains to close the doors of the courts to any outraged, victimized American citizen—close the doors, if you please, against Members of Congress who might desire to exercise their own individual right to go before the courts and point out that the regulation writers had exceeded their authority?

Now, gentlemen, I said this is the most solemn moment of my whole legislative career—the moment greatest of them all; and I am not forgetting the diabolical attempt that was made a few years ago to pack the Supreme Court and destroy the judicial branch of this Government. Today, here is a blatant, outrageous attempt, in all of its nakedness, to destroy the legislative power of the United States and to set up in this country a government by directive.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. DISNEY. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. Ford].

Mr. FORD. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. FORD. Mr. Chairman, we have just listened to a discussion that, in my judgment, was remarkable for having radiated much more partisan heat than economic light. I just want to say this: Let us assume for the sake of the argument, which I do not, that the Price Control Act of 1942 did not grant the authority under which the Executive order of the President was issued; and let us further assume that it was the clear intent of the Congress that no such \$25,000 limitation should be enacted into law, then let me ask the eloquent gentleman from California and some of the splendid gentlemen on the Ways and Means Committee why did you bring in another bill containing that limitation which was simply jumping out of the frying pan into the fire, and not a repealer of the President's order? Now, just answer that.

Mr. DISNEY. Of course, you know in common sense and common reason that we cannot afford to put ourselves in that position and repeal the order straight out. This is a compromise in views, and that is the answer to that.

Mr. FORD. The intent of the Congress was that no such act should be put in the books. Instead of repealing it, you come in with a new limitation, and, just as I said before, which is the equivalent of jumping out of the frying pan into the fire.

Mr. GORE. Will the gentleman yield?

Mr. FORD. Yes.

Mr. GORE. Not only that, but it says "effective as of October 2," I believe; it goes back; it is retroactive, and it invalidates the actions of the President from the time of the issuance of the Executive order until now. It would forbid the President to circumscribe, limit, control, or prohibit the increase in salaries until they reach the level for a single person of \$67,500 per annum.

Mr. FORD. It is always true that when a body is a little bit piqued—of course, "whom the gods would destroy they first make mad," and the Congress was piqued because the President issued an order, believing that he was exercising authority which they say he did not have, which a good many people think he does have, but leaving that aside, they were angry about that, and instead of asking that it be abolished and that the clear intent of the Congress be carried out, they came along with a substitute, a compromise, in fact an amendment hitchhiking on a bill remote from price, wage, or salary control.

Now, either the Congress wants the \$25,000 limitation or it does not. I just want the gentlemen of the committee to answer that question when they vote. Do you want a \$25,000 limitation under any consideration or any condition, or do you not?

Mr. O'CONNOR. Will the gentleman yield?

Mr. FORD. Yes.

Mr. O'CONNOR. Does the gentleman feel that voting either way on what they are trying to do would accomplish one thing or the other?

Mr. FORD. I think it would. As a matter of fact the Disney amendment has no place on this bill. Unless it is eliminated I cannot see how I can vote

for the bill. If the amendment applied to all individual income it would possess a measure of equity, but limited to salaries, it leaves other income free except as affected by the regular tax schedules.

If Congress has changed its mind and now, wants a \$25,000 limitation on salaries and incomes the Ways and Means Committee should get busy and bring in such a bill and debate it solely on its merits.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KNUTSON. I yield 10 minutes to the gentleman from Ohio [Mr. Jenkins].

Mr. JENKINS. Mr. Chairman, as has been so ably stated here several times today the real issue is not how much we should raise the salaries and wages or how much we should reduce them. The real issue is whether the President had legal authority to issue an Executive order by which he could raise and lower salaries and wages. If he had no such authority it would then be our duty to take congressional notice of this fact, especially if he has raised and lowered salaries and wages. That he has lowered many salaries by reason of his Executive order there is no doubt. If he had no right to do it, and men have therefore been illegally deprived of salaries to which they are legally entitled, it is clearly our duty to do something about it.

The President claims that he had the right to do it by virtue of H. R. 7565 passed by Congress and approved by the President on October 2, 1942. He claims that he gets that right by virtue of section 4 of that act. Section 4 reads as follows:

SEC. 4. No action shall be taken under authority of this act with respect to wages or salaries (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act, or (2) for the purpose of reducing the wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, and September 15, 1942: *Provided*, That the President may, without regard to the limitation contained in clause (2), adjust wages or salaries to the extent that he finds necessary in any case to correct gross inequities and also aid in the effective prosecution of the war.

I admit that from a loose interpretation of this language the President might be justified in attempting to lower salaries. To do so he would have to find that the word "adjust" as it appears in that section could be construed to mean "reduce." I think that he could not be justified in giving the word "adjust" any such interpretation under the circumstances because he is further bound to find that gross inequities exist and that his action would aid in the effective prosecution of the war. To do all these things he would be bound to consider each case upon its own merits and could not issue a blanket order as he did.

And there are many other facts surrounding the enactment of this law that are important. One of these that I think is very persuasive is the fact that in section 1 of this same law is language to the effect that all stabilization under this law should be on the basis that

prevailed on September 15, 1942: In view of the fact that this section and the section that I have already referred to are all the provisions of law applicable in this case I am inserting that section:

That in order to aid in the effective prosecution of the war, the President is authorized and directed, on or before November 1, 1942, to issue a general order stabilizing prices, wages, and salaries, affecting the cost of living; and, except as otherwise provided in this act, such stabilization shall so far as practicable be on the basis of the levels which existed on September 15, 1942. The President may, except as otherwise provided in this act, thereafter provide for making adjustments with respect to prices, wages, and salaries, to the extent that he finds necessary to aid in the effective prosecution of the war or to correct gross inequities: Provided, That no common carrier or other public utility shall make any general increase in its rates or charges which were in effect on September 15, 1942, unless it first gives 30 days notice to the President, or such agency as he may designate, and consents to the timely intervention by such agency before the Federal, State, or municipal authority having jurisdiction to consider such increase.

As I heretofore stated it can be argued from the wording of the law that the President might have had some basis for a claim that he had authority to issue the order against which the people have righteously objected, but there are yet many collateral facts that convince any impartial person that the President acted unwisely and unlawfully. Let me give you a few of these facts. In the first place the President knew full well that the whole matter was clearly within the jurisdiction of Congress and was not within the jurisdiction of the Executive. As proof of this I need only to call your attention to the fact that on April 27, 1942, he sent a message to Congress asking Congress to pass such legislation. Anyone who knows how the President acts, knows that if the President had a right to take action without Congressional legislation he would surely do so and would pay no heed to Congress. He would not later send his man Paul before the Ways and Means Committee to beg that committee to take action. And he would not send another message to Congress after he knew that the Congress through its proper committees in the House and Senate had refused to comply with his request.

He also knew that when Congress was debating the bill that became the law now in question that both in the House and in the Senate the Democratic leaders having charge of the legislation gave unqualified assurance that the language contained in the bill would not permit the President to do exactly what he did do. In other words the President knew that the Congress voted overwhelmingly for a bill the language of which they had been assured was sufficient to prevent the President from doing what he later did. To say the least that showed an unfair spirit on the part of the President.

When the Congress realized that the President had done just what his party leaders assured could not be done, the Congress proceeded to repeal the legislation under which he was illegally proceeding. That was the only practical way to proceed.

The President issued his order on the 3d day of October, which indicated that he was ready to issue the order before he received the bill for signature.

At the very first opportunity steps were taken to repeal the law and thereby restore to the legislative body of the Government the prerogatives unlawfully usurped by the Executive.

This is the first chance the House has had to resent the usurpation of its authority and I am sure that under our oath to defend the Constitution, it is our duty to preserve the rights and duties that the Constitution enjoins upon us.

I repeat therefore that this is not a question of raising or lowering salaries, it is a question of whether one branch of our Government is going to defend the rights which the Constitution reposes in it and at the same time do its duty toward preserving our Government of laws or whether we are going to permit the Executive to work his will without regards to the Constitution or the Congress. Personally I am determined to do my duty and check the mad march of our Chief Executive toward dictatorship.

Now, let us see how this legislation came before Congress. In our discussions today we have only talked about one part of this bill before us. We have not discussed the manner of the coming of this bill before Congress. All you have heard discussed today is the \$25,000 salary proposition.

There are two entirely separate matters contained in this bill: One is the matter of increasing the debt limit of the Nation and the other is the matter that I have been discussing.

Our distinguished chairman, the gentleman from North Carolina [Mr. DOUGHTON], introduced a bill in Congress which was referred to the Committee on Ways and Means. This bill sought to raise the debt limit from \$125,000,000,000 to \$210,000,000,000. Nobody is raising any question about it and I am the first person to even mention it today. That is a matter that the Democrats are not talking much about. Apparently they are not very proud of it. You all remember when we first began to raise the debt limit how we did strain to raise it to \$35,000,000,000, and how we did grunt to raise it to \$49,000,000,000, and how some of us almost had a fit when we had to raise it to \$65,000,000,000, and how it finally went to \$125,000,000,000, and now that it is going to \$210,000,000,000 and nobody is saying a word about it. Some day we will look back and wonder what manner of people we were to have incurred such a tremendous debt.

When Mr. DOUGHTON's bill was being considered by the Ways and Means Committee, the Republican members decided that the bill should be amended to provide that the law under which the President was unlawfully proceeding should be amended so that there would be no further question about it.

There is no wonder that the distinguished gentleman from California [Mr. GEARHART] has today evidenced a lot of enthusiasm about this matter. It was he

who first proposed the amendment that I have just referred to. He proposed that we amend the debt-limit bill that was then before us so that all the rights which the President was claiming under the salary-limit law should be restored to Congress, and should be amended accordingly. We knew very well when the price and wage control bill was passed that it was not the intention of Congress to give the President the right to issue the Executive order complained of.

We Republicans are a minority on the Ways and Means Committee; we have only 10 members while the Democrats have 15. It is a matter well known to all of you that a Republican is seldom permitted to be the author of any important legislation from any of the important committees of the House. In pressing our matter we found that most of the Democrats on the committee were at least in favor of what we were trying to do; 5 of the 15 were willing to go along with us, but, of course, one of these 5 would naturally be given the authorship of the legislation. This honor went to the gentleman from Oklahoma [Mr. DISNEY], who gave to the matter the very splendid attention for which his great ability so ably equips him. The gentleman from Oklahoma [Mr. DISNEY] and his colleagues were not anxious to do or say anything that would in any way reflect on the President—the leader of their party—yet they were anxious to preserve to the Congress its constitutional rights.

In order to make it easy for them to come along with us, we Republicans agreed to this bill as it is before us today. We would have preferred to have gone further than this bill goes. We should have gone the limit necessary to take back to Congress all rights which the President took by his unlawful proceedings. But Mr. DISNEY and his coworkers desired to employ the language contained in the present bill. A compromise—which is the basis of most legislation—was effected. This bill that we are considering here today was prepared and introduced by Mr. DISNEY and reported out by the committee by a vote of 15 to 10. Only a few of these 10 gave any indication of being seriously opposed to the measure.

You will notice that so far today in these debates no member of the Ways and Means Committee has stood up to defend the President's action. And no member of the Democratic Party, but the gentleman from Tennessee [Mr. GORE], has stood up to defend the President's action and I think that the gentleman from Tennessee does not stand on very firm ground when he has admitted that he knew that the President would issue the order that he did issue, and that he knew it when the Congress was being given assurance that the law would bind the President. The gentleman from Tennessee should have disclosed his information at that time. He was remiss then, and now when he comes and tells us all about it we feel that he was not a worthy defender of this House of which he is a very capable Member.

Mr. Chairman, the legislation by virtue of which the President claims the authority to do what we complain about is historic legislation. You will remember that on September 7, 1942, the President sent a second message to Congress requesting legislation that would prevent anyone from drawing more than \$25,000 salary. On that night he went on the radio and made his historic ultimatum to Congress to the effect that if Congress did not act before October 1, that he would act. As I remember it, the Congress was at that time on a short recess. Congress could have defied him, for the President has no power to direct the actions of Congress. But Congress resumed session and in an orderly way gave heed to the President's request. It was at that time that the law under consideration for amendment here today was prepared and passed. It was passed by Congress on October 2, and on October 3 the famous order against which the country complained so bitterly was issued.

This measure that comes to you this afternoon has been carefully prepared. If it were not well put together no doubt a point of order would have been raised to it. Do not be deceived by propaganda or by misleading statements. All this bill does is to correct a very serious usurpation of constitutional power. You who have spoken against Executive usurpation cannot be true to yourselves or true to your constituents if you fail to support this measure. This is the one instance where the Executive has invaded the jurisdiction of the legislative branch with what we lawyers say—malice aforethought—for he was thoroughly advised of all the facts.

When we have enacted into law the measure under consideration and if it seems desirable that we enact legislation to control high salaries as the gentleman from Tennessee seems to want done, let somebody introduce a bill to that effect. If we want to control salaries let us do it by law and not by Executive fiat. We should not permit the Executive to do that which he has no right to do. If you will read the letter that the Executive wrote to the gentleman from North Carolina [Mr. DOUGHTON] after we in the Ways and Means Committee had voted down his proposal, you will be convinced that he is not very firm in his position. He is begging for a compromise. He says in effect, that if we will enact legislation that will confiscate all salaries above \$25,000 that he will immediately rescind his order. No other President ever made such a request. When the President desired the confiscation of all salaries above \$25,000 he went a long way toward the Communist platform of 1928. He wants now to deal with the legislative branch of the Government. But how could the Ways and Means Committee bind the Congress of the United States? How can we trade with the President? He knows he is on sinking sand, he knows he is in an untenable position and he wants to compromise with us. We must decline his offer. We cannot compromise our rights away. They belong to the people. Our duty is to vote for this legislation and thereby reestablish our-

selves. Let us again be able to look the world in the face and say that the Congress is running its own business. When we want legislation to fix salaries, why not let Mr. DOUGHTON, our beloved and distinguished chairman, introduce such a bill, or why not the distinguished gentleman from Tennessee, capable and handsome as he is. Let him bring in the bill that he might prefer, and we will pass on it. Let us not permit the Executive to do what the legislative branch should do.

Mr. GORE. Will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Tennessee.

Mr. GORE. I know the gentleman is a very fair, distinguished, and able Member of this House, and I am sure he will recall that is exactly what I did try to do, but this Congress would not do it and we turned it over to the President and gave him the authority to do it.

Mr. JENKINS. Yes, I remember what the gentleman from Tennessee tried to do, and he did his part very ably, but the Congress turned him down. The gentleman from Tennessee knows thoroughly well that the matter that we are now considering is a matter within the province of the legislative branch, and when the gentleman sat in that conference he told the Rules Committee what he should have told those in the conference: "I am on record. This is a legislative matter, this is not a matter we ought to decide here." He should not have sat in with those whom he knew were about to mislead the Congress. He should have stood up for the dignity and honor of the legislative branch of which he is a distinguished Member. He should have told them that this is a legislative matter and that he was going back to the legislative branch and fight it.

And now, my dear friend, if you will introduce such legislation as you think is necessary to do what you think should be done with reference to fixing salaries I think that you will get a lot of support from our side. Let us not legislate by Executive order, because we are the legislative branch. The Constitution places a tremendous responsibility on us, and we should not fail to assume and discharge that responsibility, even in the face of our Chief Executive. He should not invade our jurisdiction.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DISNEY. Mr. Chairman, I yield 5 minutes to the gentleman from Oklahoma [Mr. MONRONEY].

Mr. MONRONEY. Mr. Chairman, I find myself in a rather difficult position of opposing my very good friend and colleague the gentleman from Oklahoma [Mr. DISNEY] on this matter, but I, along with my dear friend the gentleman from Tennessee [Mr. GORE], have worked on inflation matters for some 2 years.

We made a fight on a principle here in the House a year before the administration came to it for the idea of an over-all wage and price-control bill. I make no apology for that position at which time we argued that if you freeze one you should freeze them all.

Stripped of all the high blood pressure that might be around today on whether the President did or did not exceed his Executive authority in issuing the \$25,000 salary limitation, I think the House must consider today the effect of this bill on inflation, we must consider whether we are going to tear out from the center of the dam holding back inflation one of the stones that has been placed there to prevent a runaway spiral, not only of prices but of wages and of salaries. We cannot, we must not pass this legislation, because of resentment or because of prejudice or because of other reasons except sound basic logic.

I have been waiting for some member of the committee in his own time to explain to me and give an answer to the gentleman from Virginia [Mr. SMITH], and his charge that this bill turned loose all salaries until they reached \$67,200 per year gross.

SALARIES MAY HIT \$67,200

I have tried to study the bill and I think I understand the English language. For the life of me I cannot see in the bill or in the report where a ~~any~~ ceiling can be placed on any man who is on any pay roll in a salaried status at less than \$67,200. I have tried my best to find it in the report. I looked in the hearings. But unfortunately there were no hearings on this inflation part of the measure, despite the fact that it deals with the very lifeblood of our war effort, whether or not we are going to be able to keep an ordered economy under the terrific impact of a condition of total war.

You all know the fight we made a long time ago to freeze wages and to freeze salaries. At that time it was charged that we were Fascists, that we were endeavoring to put around the necks of free Americans unconscionable restrictions, that were not necessary, and that were not compatible with the democratic way of life.

CONTROL MUST BE EQUAL

Time proved that only by controlling wages and salaries and prices, and that includes the prices of the farmer, into which goes his labor day after day, could inflation be controlled. Time also proved that one of the great things in inflation control is the freezing of the wages of the men who work in the factories, the men who are building the battleships, the planes, and the tanks. It was necessary to control their wages and prevent this disastrous inflationary spiral from getting started.

At the same time we gave the power to freeze wages, we also in the same language said that salaries should be frozen. I do not think any Member of the House would rise and say, "No, we must not touch salaries, we must not let them be frozen." To me, that is the major issue here today. Are we going to say here that the man who works in overalls by the hour—and according to the report they submit, that is their definition of wages, that if a man works by the hour he is working for a wage, but if he is on a monthly or yearly basis he is working for a salary—shall have

his income frozen. This proposal would say that the man who is doing the hard work with his hands can expect no increase above the little steel formula but would say to the straw boss or the superintendent, to the bookkeepers, and to all the executives and their kinfolk that might be attached to the pay roll, "You can have your salary raised to \$67,200 before we dare place a ceiling upon your income"?

CONGRESS WOULD REGRET ACTION

Stripped down, that is what I think is in the bill, and if we swallow this proposition without careful examination it will be an error this Congress will regret as long as we live.

Mr. GORE. Mr. Chairman, will the gentleman yield?

Mr. MONRONEY. I yield to the gentleman from Tennessee.

Mr. GORE. If we do that, does not the gentleman share my opinion that it will break the back of the Government's resistance to the flood of demands for general, Nation-wide wage increases?

Mr. MONRONEY. Of course it will break the back of that resistance. The hardship provision placed in the bill was to take care of the hardship cases where adjustments had to be made, yet under this bill this mighty Congress would in its first adjustment take care of the hardships of those with \$67,200 salaries and says to them, "That is too much of a hardship, we must take off that ceiling."

Mr. LYNCH. Mr. Chairman, will the gentleman yield?

Mr. MONRONEY. I yield to the gentleman from New York.

Mr. LYNCH. When we were discussing the price-control bill in the Committee on Banking and Currency, were there not three things with which we were particularly concerned, the ceiling on prices, the ceiling on wages and salaries, and taking care of inflation by a taxation program?

Mr. MONRONEY. The gentleman is exactly correct.

Mr. LYNCH. If any one of those props is taken away from inflation control we are liable to have a spiral of rising prices.

Mr. MONRONEY. I thank the gentleman for his contribution.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. MONRONEY. I yield to the gentleman from Tennessee.

Mr. COOPER. As one who participated in all the consideration of this bill, as far as it was considered, may I say that the gentleman has placed exactly the correct construction on the application of section 4, which would simply mean that the coal miner who goes down and digs the coal would have a limitation placed on his wages but the salary of John L. Lewis could go to \$67,200 before any restraint at all would be effective.

Mr. MONRONEY. I thank the gentleman.

I have tried to read this bill as carefully as I can. I have waited for some member of the committee to explain to me where there is any effective salary limitation in it.

The success of inflation control, disagreeable, tough, and at times inequitable to various persons and lines of endeavor, rests on equality of treatment under the law.

Yet, when we consider that without effective price control, we not only open the door to a chaotic condition in our economy but we can very easily double or treble the cost of the war that must be borne by future generations.

WOULD DOUBLE WAR COST

Break the dam that holds back inflation and the war could easily cost us not the two hundred and fifty billions we expect it to run but five hundred billions or possibly seven hundred and fifty billions.

This, I submit, would ruin not only the little people, the farmers, but in direct proportions to their holdings, the various individuals who now seek to avoid even the limitation of \$67,200 per year on salaries.

There is a way to do this thing in a constitutional manner. I do not defend the manner in which the \$25,000 net limitation was placed into the inflation picture by the President. The proper way is for the great Ways and Means Committee to bring in a tax bill that will effect the results that the American people want, that the American Legion asked for at the close of World War No. 1, that both the Democratic and Republican platforms asked for in 1924, namely, to take the profits out of war. Such a tax program has been asked numerous times by the Executive and by many in Congress. It is high time that the Ways and Means Committee acts to let the House vote on this real issue.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

(Mr. MONRONEY asked and was given permission to revise and extend his remarks in the RECORD.)

Mr. DISNEY. Mr. Chairman, I yield 2 minutes to the gentleman from Tennessee [Mr. GORE].

Mr. GORE. Mr. Chairman, I know the distinguished, able, and courteous gentleman from California would not accuse me of being guilty of any recalcitrance in my duty to the House. I take these 2 minutes to reply briefly to him and to the distinguished gentleman from Ohio, who very kindly read me a very apropos lecture on the duties of a Congressman when in conference.

To recall briefly, when this question first became a national issue I entertained a very firm conviction that the only proper way to approach the problem of inflation control was an over-all bill applying restraints and ceilings on all segments of our economy straight across the board.

I have thoroughly disagreed with the approach of the administration to the problem. However, the proposition I advocated was voted down. Congress delegated to the executive branch of the Government authority—whatever authority was delegated at that time—to deal with the problem.

Several months later, in the last part of 1942, we had this question under con-

sideration. The President then asked for over-all control.

I dislike to refer to something I advocated, but I must in reply to this statement. In other words, I was vindicated, if I must say that in defense of myself. It was a ready-made opportunity for me to come before this Congress and say, "I told you so, I am vindicated. I want you to pass my original bill now." But I did not conceive that to be my duty. It was in my opinion too late to impose a rigid over-all ceiling by law. Things had gotten too far out of balance.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentleman from Connecticut [Mr. COMPTON].

Mr. COMPTON. Mr. Chairman, in principle I am opposed to section 4 of this bill (H. R. 1780) that deals with the \$25,000 salary limitation, because it temporizes with a situation that I had hoped the Congress had by this time found intolerable; that is, continued Executive usurpation of legislative power. I hope to offer an amendment to section 4.

I realize that there is little likelihood that I, a new Member, can contribute anything important to the debate. I do not speak as a lawyer; in consequence I have no legal argument to present, but I, along with millions of other everyday citizens, have no need for such training to comprehend the danger to the country in the obvious attacks directed against the Congress—the one of the three great departments of government to which we can most readily appeal. It is not casual apprehension assumed here for partisan use, but a deep-seated fear as a citizen and a Member of Congress that I ask for a few minutes of your time this afternoon and raise my voice.

We, all of us throughout the country, have been crying for a second front in Europe, and now we have one clashing and crushing back and forth across northern Africa. Many of us in this House, the majority perhaps, and certainly millions in the country, have been crying for action against this danger on the home front, the never-ending assault on constitutional government.

But I hear of no real beginning of battle hereabouts in this Chamber, where the vanguard—the spearhead—of the crusade should have formed. Only a few sporadic shots, an outguard firing a warning rocket now and then like my own. How much longer, then, are we going to dilly-dally and wait? When are we going to form and take the field in earnest? Certainly the voters last November told us what to do and when. They ejected that minority in Congress that had brought this House to such a low state that it was publicly and properly known and stigmatized as a "rubber stamp" Congress.

For more than 5 years I have privately deplored and publicly denounced a condition in which Representatives of every district in the United States, regularly elected to Congress to make the laws and to reflect directly the opinions and wishes of the majority of the people, were made to appear supine and spine-

less, by a controlling minority of these Representatives, who lacked initiative and courage, and thus become subservient to and the servant of the executive department. They did nothing specific to forestall, forbid, prohibit, or even hinder a series of acts and edicts under claim of war emergency circumventing and supplanting the constitutional legislative functions of Congress. Their lack of action encouraged reiteration. It is no wonder, then, that with a boldness and assurance that sought to give the appearance of legality, these acts of assumption and abrogation continued. But a wise and discriminating electorate has called for a halt and directed an about-face. They sent us here. We, the revitalized and regenerated Congress, are alive to our obligations, as has been made evident from day to day. We have heard the commands to "fall in," and have begun to answer to our names. But when are we going to take the offensive on this home front? When are we going to really fire the first big gun? We know what our objective is. We have seen the New Deal's maps and plans. We have watched them infiltrate and swarm over the land. When will we set the operation in motion and move forward toward our objective and decisively begin to take back the ground occupied by those who undermine constitutional government?

It really brings tears to your eyes to read with what solicitude the Chief Executive wrote the other day regarding this \$25,000 salary limitation. He explained it was to erase—and I quote—inequities that seriously affect the morale of soldiers and sailors, farmers and workers, imperiling efforts to stabilize wages and prices and thereby impairing the effective prosecution of the war.

What really imperils their morale is the fear engendered by the insistent attacks and the continuous assaults on the domain of Congress. Many of our men and women in the armed service wonder, and have asked, "Just what kind of government will we come home to?"

As a former soldier I yield to no man in my loyalty to the Commander in Chief of the armed forces, in any mission or duty he may require of me, or in any action he may take toward the success of our arms. In that resolution there is no division here nor in the country. That is the Commander in Chief's constitutional function. However, those acts of the Executive that vitiate and depreciate the duties of Congress—Congress, the general staff for the civilian front—under guise of whatever expediency or national emergency as a subterfuge or excuse, I shall vigorously criticize and actively oppose whenever possible.

I was glad to learn from the report of the committee meetings, that my distinguished colleague from California [Mr. GEARHART] was ready, and wanted to make a clear-cut fight to nullify outright the Executive order that illegally attempts to impose a \$25,000 salary limitation. From this bill and its compromise, section 4, it appears he could not find sufficient support.

Why, Mr. Chairman, the viciousness of this type of government, by Executive decree and not by law, is not particularly in the fact that the order itself limited salaries to \$25,000. How many of us make that much money before taxes, let alone after taxes? Certainly I do not, and I do not believe many of us here do.

But if the President, without specific authority by Congress, and even against the known wish of Congress, can pick out a small group of persons and place an arbitrary limit of \$25,000 on their earnings, he can do the same to other groups—those making \$20,000 or \$10,000 or \$5,000, or even \$2,000—and thus equalize salaries and pay. That is socialism, pure and simple. Thus will die individual incentive and reward for competence—the pride and boast of American way of life.

Let us be direct. Is not the purpose of the salary limitation perfectly plain—not to raise revenue or curb inflation by taxation, but to further a program to redistribute the wealth of America by Executive decree and in contravention of the express will of Congress?

No, the object is not revenue—the figures show a loss—but it is "social reform," a phrase claimed as exclusive by some New Dealers and the altruism first invented by their "brain trust."

Among others this Executive order is a blow at the private enterprise system which is the foundation of our constitutional liberties. Our high production, high wages, leisure and national well-being are the result of invention, initiative, machinery, mechanical skill, managerial organization, all products of individual man.

The most disturbing factor is that by this continued flouting of the declared will of Congress the precedent has been set for the destruction of the legislative branch of our Government, and further invasion of the lawmaking field by decrees of the executive branch. One such invasion tolerated inevitably leads to another. Now bureau after bureau makes its own laws, promulgates them, and judges offenders. Does not this executive record show why there is lack of mutual trust, confidence, and respect for the executive department by Members of Congress and now by an ever-growing public?

Let me remind you that within a fortnight there was another sly New Deal method of bypassing Congress, in the Executive's directive making the 48-hour workweek.

Every day finds still another new directive from the Executive department that assumes to be a law for the duration or longer. The extended tenure of years in office has brought about appointment by the Chief Executive of a majority of the Supreme Court and a majority of all the Federal judges. Representatives in Congress owe their tenure in office to the people direct. All of us here want to preserve the rights of that office and perform the obligations election to that office entails. Unless we say "Stop" at every opportunity, this insidious infiltration will continue, until we become in fact and in toto a wholly oc-

cupied country, under the dictatorial rule of a totalitarian bureaucracy. Such an opportunity offers today by changing this amendment.

Mr. DISNEY. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. McGRANERY].

Mr. McGRANERY. Mr. Chairman, my good friend, the gentleman from Ohio [Mr. JENKINS] said a few moments ago that he did not believe anyone would rise to defend the action of the President of the United States other than the gentleman from Tennessee [Mr. GORE]. Far be it from me to defend the action of the President of the United States. It would appear to me that he can take fairly good care of himself. I do say that I agree with the President's action in invoking his Executive order, and I might read for the information of my good friends on the other side of the aisle what their party had to say about this in its 1924 platform. The Republican Party in 1924 in convention assembled said this:

We believe that in time of war the Nation should draft for its defense not only its citizens but also every resource which may contribute to success. The country demands that should the United States ever again be called upon to defend itself by arms the President be empowered to draft such material resources and such services as may be required, and to stabilize the prices of services and essential commodities whether utilized in actual warfare or private activity.

Mr. GEARHART. Mr. Chairman, will the gentleman yield?

Mr. McGRANERY. Oh, the gentleman will permit me to complete my statement. That is what the Republican Party thought following the last World War, when they had fresh in their minds the conditions of the boys that were returning home, their bodies mutilated and their future hopes dimmed. I do not think that the Republican Party as a whole has changed its opinion. I do not think that the Democratic Party has changed its mind about what it thought, because it likewise adopted a similar plank in the 1924 platform. My good Republican friends reiterated and adopted again in 1928 that same platform plank.

What is the purpose of this so-called Disney amendment? Why is this in a debt limit bill? My good friend the gentleman from Ohio [Mr. JENKINS] said we have a debt limit in this bill, and why do you not speak about that. Let me read the title of the bill:

A bill to increase the debt limit of the United States, and for other purposes.

We have a debt-limit bill, which we all realize to be an absolutely important measure, one that is intended to embarrass the President of the United States to veto. We know the necessity of a debt-limit bill, and passing this bill here today is one that I think we in fact will regret for many reasons, not merely its inflationary tendency, but are we going to permit in these debt-limit bills that will come to us in the future the making of an omnibus bill similar to those passed in another body the last day of the session, and throw in the kitchen stove and

everything else? I think in the interest of good legislation you cannot have a debt-limit bill and have something in there that refers to an emergency price-control act. We read much in the papers today about John L. Lewis and what he is going to ask for the miners next month. John L. Lewis has used some very strong language, but John L. Lewis will certainly have something to talk about if you here and now vote to send salaries, salaries if you please, because the Disney amendment does not limit salaries—if you vote to skyrocket salaries to \$67,250 a year. I, for one, do not think we want to do that.

Mr. JENKINS. Mr. Chairman, the gentleman will admit that the Democratic and the Republican platforms indicate very clearly that all that should be done there should be done by legislative and not Executive act.

Mr. McGRANERY. Oh, I beg to differ with the gentleman. The language is clear, and the platforms clearly state on the contrary that the President of the United States be given the power necessary to do all this.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. GAVIN. Mr. Chairman, will the gentleman yield?

Mr. McGRANERY. My time has expired.

Mr. GAVIN. I wish the gentleman would take 5 minutes to discuss the platform of 1938.

Mr. McGRANERY. If the gentleman will get me 5 minutes more I would be glad to do it.

Mr. KNUTSON. It would take an experienced criminal lawyer such as the gentleman from Pennsylvania to do that.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. Wolcott].

Mr. WOLCOTT. Mr. Chairman, I quite agree with the gentleman from California [Mr. Gearhart] that this is probably one of the most important questions which has been before the Congress in recent years. In voting on this bill and amendments to the bill, we will determine once and for all whether Congress itself has abandoned all hope of restoring and maintaining a constitutional government in America. I cannot for the life of me see what the Ways and Means Committee, however, is doing with an amendment to the Price Control Act. The Banking and Currency Committee has on several occasions suggested that this matter be adjusted by taxation, and for the reason that we recognize that taxation is peculiarly a subject for discussion for the Ways and Means Committee, we shied away from it; but the matter is before us, and so we must discuss it in the light of what has gone on before, both in the Banking and Currency Committee and in the conference. You have heard the gentleman from California [Mr. Gearhart] review most ably the steps which were taken after the President's recommendation—the denial of this authority by the Ways

and Means Committee of the House, and the Finance Committee of the Senate. I want to add to that that within 48 hours before the Executive order of October 3 was given to the press, the conferees on Public Act No. 729, meeting in this building, deliberating upon whether the President should have the authority to limit salaries and wages, deliberately and specifically, we thought, provided that he should do no such thing.

If you will get a copy of Public No. 729, section 4, you will notice in the proviso this language, after stating that no salaries or wages—understand, we put salaries and wages in the same boat—"no salaries or wages shall be reduced below the highest salary and wage paid between January 1 and September 15, 1942," we provided that the President may, without regard to the limitations contained in clause 2, which I have just cited, adjust wages or salaries to the extent that he finds necessary in any case, to correct gross inequities, and also aid in the effective prosecution of the war.

The House had passed this act with a period after the words "gross inequities," and provided that the President might make adjustments if he found in any case a gross inequity. The Senate in its wisdom added the words "or aid in the effective prosecution of the war," which opened the door so wide that the President would have had an opportunity to do just what he did, limit salaries to \$25,000 or \$1,000. So after deliberation, having in mind that the Communist Party in 1928 had recommended in its program a \$25,000 limitation, having in mind that in 1942 certain C. I. O. leaders had recommended a limitation of \$25,000, having in mind that Mrs. Roosevelt had espoused the C. I. O. proposal in public statements, and after deliberating upon whether we wanted the President to have authority to do it or not, we deliberately changed the word "or" to "and also," with representatives of the executive branch sitting in that conference and knowing what was going on. The change was made to prevent the President from limiting salaries and wages which he did within 48 hours after this definite action had been taken. His representatives knew that such action had been taken. In consequence, no other conclusion can be reached than that the President acted in clear and open defiance of legislative intent.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. DISNEY. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. Lynch].

Mr. LYNCH. Mr. Chairman, when the price-control bill came up I happened to be, at the time, a member of the Committee on Banking and Currency, before which committee the bill was heard. I agree with the remarks made by the gentleman from Oklahoma [Mr. Monroney] with respect to the effect that his bill will have upon lifting completely the ceiling on salaries.

In the course of the discussion before the Committee on Banking and Currency at that time we had the testimony of almost every expert to the effect that it would be necessary in the first place to

place a ceiling on certain commodities. Later on it was determined that that ceiling would have to be spread, and finally it was determined there would have to be a ceiling on wages and salaries. I do not altogether agree with what has been done by the President, insofar as the manner in which the ceiling was placed upon high salaries, or rather how the high salaries were cut down to the net sum of \$25,000, and yet I feel that if this bill were passed in its present form, the effect of its passage would be to lift completely the ceiling on the salaries that are now limited. In other words, there would be absolutely no ceiling on salaries for those who have not yet reached \$65,000, but on the other hand you would have a ceiling on wages and prices.

Mr. O'CONNOR. Will the gentleman yield?

Mr. LYNCH. I yield for a question.

Mr. O'CONNOR. A great deal has been said that the President exceeded his authority in section 5. Section 5 of the original act says, "No employer shall pay and no employee shall receive wages or salaries in contravention of the regulations promulgated by the President of the United States." The Congress gave him authority right there in express language to do just exactly as he did do.

Mr. LYNCH. Now, that is not a question. It is rather a statement to which I shall not reply. As I say, I shall not go into the question as to whether or not the President followed the intent of the Congress.

Mr. ALLEN of Louisiana. Mr. Chairman, will the gentleman yield for a question?

Mr. LYNCH. I yield.

Mr. ALLEN of Louisiana. The gentleman has said something about salaries being stopped at \$67,200. That has been mentioned several times. I am wondering if it is not true that a salary that was a half million dollars in 1941 may still go to half a million dollars under the Disney amendment?

Mr. LYNCH. There is no question about it.

Mr. WOODRUFF of Michigan. Mr. Chairman, will the gentleman yield?

Mr. LYNCH. I yield.

Mr. WOODRUFF of Michigan. And if that man with a half-million-dollar salary were to be reduced to \$25,000, would that not to a very large extent penalize the Treasury receipts? In other words, if a gentleman were drawing \$500,000 salary and under the law he should be cut to \$25,000 from \$500,000, the company very promptly would put him on the books at the limit, and the balance of his salary would go back into the treasury of the company, and the Government would lose all of the taxes that he would pay in the higher brackets where he had been before, and the Treasury would suffer a loss thereby?

Mr. LYNCH. There is no doubt that the Treasury suffers a loss as the regulation now stands, but the answer to that, I believe, is that we have our tax bills, and I think that if there is going to be an effort to keep salaries down they should be kept down, if necessary, through a tax program rather than by

regulation, or rather than by even ordinary legislation.

Mr. WOODRUFF of Michigan. I agree entirely with the gentlemen.

Mr. LYNCH. However, we are faced with a reality and not a theory. The President, exercising a power he claims was granted him under the price-control law, has in effect cut salaries to \$21,000 after the deduction of income taxes. This bill, while it seeks to remedy that situation, goes much farther and in fact pulls from under the anti-inflation barrier which we have tried to build up, one of the most important props. The passage of this bill means that the ceiling on salaries is virtually removed while the ceiling on wages remains.

You will note that if a person received a salary of \$100,000 per annum on December 7, 1941, his salary cannot be cut below that amount, or below \$25,000 after deduction for taxes.

On the other hand, it permits an unmarried person on a salary basis to go from his present salary—for example, \$2,500 per annum—to \$67,200 per annum. In effect, it takes away the ceiling on salaries almost completely, and permits salary raises to at least \$67,200, while holding wages at fixed levels. It is obviously unfair to tell the wage earner in the factory and shipyard that his wages are frozen at definite levels, but no restraint is placed upon the salaries of the executives of his company. If we are to stem inflation by ceilings on wages, why should the ceiling on salaries be blown off by this bill?

Furthermore, this is a poor way to legislate and one that will lead to confusion. We saw what happened last week when a controversial amendment on absenteeism was tacked on the wholly noncontroversial Navy transportation bill. The same tactics are being used today in amending this bill to increase the debt limit of the United States, which has to do with amending the Second Liberty Bond Act and in the very same bill including an amendment to the Emergency Price Control Act of 1942. I intend to vote to strike out that portion of the bill, section 4, which would amend the Emergency Price Control Act of 1942. It is far better to have the high salaries regulated by Presidential order than to have no ceiling on salaries up to \$67,200 while wages are frozen at their present levels.

The CHAIRMAN. The time of the gentleman from New York has expired.

(By unanimous consent, Mr. LYNCH was granted permission to revise and extend his remarks.)

Mr. DISNEY. I yield 2 minutes to the gentleman from Pennsylvania [Mr. WRIGHT].

Mr. WRIGHT. Mr. Chairman—

Mr. GORE. Mr. Chairman, will the gentleman yield?

Mr. WRIGHT. Yes.

Mr. GORE. In answer to the question which the gentleman from Michigan raised about the government losing money in this proposal, I want to read to him this statement, if the gentleman from Pennsylvania will permit.

Mr. WRIGHT. I have just 2 minutes.

Mr. GORE. Mr. Eugene Grace, director of the Bethlehem Steel Corporation, drew last year \$537,724. Mind you, that is a corporation which is engaged in producing steel for the war, and the Government of the United States and the taxpayers of the United States are paying that salary through the orders for steel. It is a poor principle to me which would say we are losing money whereby we let 10 horses out of the stable to get 1 back.

Mr. HOFFMAN. Let me say to the gentleman that the Treasury Department reported that it would result in a loss of \$110,000,000.

Mr. WRIGHT. I think about all I can say in the time I have left is that I do not intend to vote for any bill that is going to remove the ceiling on salaries and at the same time we have ceilings upon wages and prices. I do not think the people of America want it and I am not at all satisfied with the way it has been imposed by Executive order, but it is a choice now of two evils and I intend to vote against the bill.

The CHAIRMAN. The time of the gentleman has expired.

(Mr. JENKINS asked and was given permission to revise and extend his remarks.)

Mr. KNUTSON. Will the Chair inform the Committee how the time stands?

The CHAIRMAN. The gentleman from Minnesota has consumed 32 minutes; the gentleman from Oklahoma 30 minutes.

[Mr. DISNEY addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentleman from Kentucky [Mr. ROBSION].

[Mr. ROBSION of Kentucky addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Chairman, I have been intensely interested in this debate this afternoon. I think it has been one of the best debates that we have had on the fundamental principles of our Government in a long time. I am not going to spend very much time on the merits or demerits of section 4. I just want to call attention to an extract I ran across in reading Sir William Blackstone's Commentaries. He said:

The Roman law, as practiced in the times of its liberty, was respected and obeyed because it was approved by the judgment of the people. Thus did the people reason while Rome had some remains of her freedom; but when the imperial tyranny came to be fully established, the civil laws speak a very different language. "What the Emperor has willed has the force of law, since the people transfer to him and upon him all their supremacy and power. The Emperor alone is deemed both the maker and the interpreter of the law. It is like sacrilege to oppose the rescript of the Emperor."

I ask the question here, Mr. Chairman, Are our soldiers battling, bleeding, and dying for the establishment of imperial tyranny here at home, or are they sac-

rificing to protect, preserve, and defend the American way of life, which repudiates usurpation and tyranny in all its forms? This is not a new thing that confronts us—this question of usurpation. As the distinguished gentleman from Oklahoma [Mr. DISNEY] has reminded us, there has to be a balance between the various branches of the Government. When there ceases to be such balance of power, as the gentleman suggested, then we begin to have usurpation which if not restrained leads to tyranny. It is not the first time, as I say, that this question has been before the country. Some years ago a challenge was sent out because people were becoming careless and reckless in the discharge of their duties as sovereign citizens in their choice of public servants.

We have watched what is going on throughout the world, and so have our constituents. They have seen free government being destroyed in those countries, courts packed, and legislative bodies intimidated because of the usurpation of men hungry for power. While I may seem to be criticizing, let me call your attention to the fact that Abraham Lincoln once, standing on this floor—to be exact, on January 12, 1848—uttered these words:

There is an important sense in which the Government is distinct from the administration. One is perpetual, the other temporary and changeable. A man may be loyal to his Government and yet oppose the peculiar principles and methods of the administration.

I most emphatically make this distinction in what I have to say in criticism.

I regard this last election as a mandate from the educated, industrious, temperate, thrifty people of this country who believe in representative government. As has been so ably said on this floor today, now is the time to meet this challenge, this issue of Executive usurpation while our boys are fighting for representative government, for the American way of life.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I have very little time and a long speech, but I will yield to the gentleman.

Mr. MAY. The gentleman quite properly quoted from Sir William Blackstone of the subject of division of power. Does the gentleman recall in his study of Blackstone that he laid down the rule also that criminal penalties might be imposed only by legislation?

Mr. REED of New York. Yes. I recall it distinctly. It is worth any man's time to read that memorable book.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield to the gentleman from Oklahoma.

Mr. DISNEY. Did the gentleman ever dream that the proviso referring to gross inequities would ever be tied by Presidential order into the criminal penalties at the end of the act?

Mr. REED of New York. No. I had no conception of anything of that kind. But here is a rather interesting thing. In a letter written to Chairman Doughton by the President on February 17, 1943, when he saw the rising tide of

wrath against this Executive order, he offered to Congress a compromise, a proposition in these words:

It is recommended that for the purpose of a supertax, joint returns be made mandatory and that a personal exemption of \$25,000 for each spouse be allowed, or in effect \$50,000 for a married couple.

Now, just listen to this preposterous proposal of the President, in the light of his Executive order. Fifty thousand dollars net income would permit a man to get \$353,000 gross income under his compromise. The question was raised here—and I hold no brief for Mr. Grace of the steel company, with an income of \$500,000, but his Federal tax is around \$400,000. Then he has his State tax to meet in connection with that. I cannot conceive where a man of his ability has very much left. I will not characterize the reference to Mr. Grace by the distinguished gentleman from Tennessee as demagogery. Of course it was not, but it could be used for that purpose if anyone sought to do so.

Now, before I turn to section 4, on this proposition of inflation, it is perfectly ridiculous to suppose that this matter of salaries, as embodied in this whole debate, would have any great effect on inflation. It could not have. It is impossible to have even a perceptible influence on the question of inflation. I have been fighting the danger of inflation for quite a number of years. I have never failed to vote for any proposition that I thought would prevent that hideous thing sweeping across this country and possibly destroying our form of government. But there is nothing to this red herring of inflation, as far as is involved in section 4.

I do not know that the American people have the slightest interest in the size of the national debt. Perhaps they have just become so bewildered that they are just willing to forget it. They have been told frequently that they owe it to themselves, and I guess perhaps they are beginning to believe that. I know that they will believe they owe something to somebody when they pay their taxes after this tax bill comes in, levying upon the people another load of some \$13,000,000,000 to be added on to the supertax of over \$30,000,000,000, and then the \$16,000,000,000 that the President wants us to raise some time between now and the last of this year. They will wonder if there is much pleasure in owing money to themselves. But no matter how they feel, this debt presents a very serious postwar problem.

Theorists up and down the land, who probably are very vocal now on just how to solve these post-war problems. I remember after the last war we were faced with a few post-war problems right here at home. I remember that we received as a heritage from the war party of that day, a debt of \$26,000,000,000 or thereabouts. We faced a heritage of some 7,000,000 men out of work, with the soup kitchens in full operation in the large cities of this country.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. KNUTSON. Mr. Chairman, I yield the gentleman from New York 1 additional minute.

Mr. REED of New York. We had no hospitalization for the soldiers. The railroads were bankrupt. The farmers were in a destitute condition. But what we did in a period of 10 years was to reduce that debt of \$26,000,000,000 to \$16,000,000,000. We hospitalized the soldiers. We rehabilitated the soldiers. We rehabilitated the railroads. We took care of the farmers so that they sent delegations here to thank Congress and the President for what had been done for them. When we face these post-war problems I hope they will not be placed in the hands of the people who have been defending this outrageous usurpation of power here today.

The CHAIRMAN. The time of the gentleman from New York has again expired.

Mr. KNUTSON. Mr. Chairman, I yield 2 minutes to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Chairman, I wish to ask the gentleman from Oklahoma [Mr. DISNEY] one question which might have to do with the operation of this amendment provided it is adopted: Assuming that the Congress should double the present income-tax rates, how high could the salaries be raised under this proposed amendment?

Mr. DISNEY. \$67,200.

Mr. CRAWFORD. No; I say if the tax rates were doubled. Let me illustrate it this way: Suppose we pass a law that will take 99 percent of a person's salary in the form of tax; could his salary be raised to a point, let us say, of \$2,500,000, so as to leave in the hands of the taxpayer \$25,000? Would that not be possible?

Mr. DISNEY. I do not quite understand what the gentleman has in mind.

Mr. CRAWFORD. I say, suppose the tax rate on salary income were raised to 99 percent—

Mr. DISNEY. He would get just that much more nicked off his \$67,200.

Mr. CRAWFORD. Then that is a point beyond which you cannot possibly go.

Mr. DISNEY. Yes.

Mr. CRAWFORD. Irrespective of the income-tax rates.

Mr. DISNEY. Yes.

Mr. GORE. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield.

Mr. GORE. No such provision is in the bill; no limitation is applied by this bill. If the Members doubt that, let them read the bill. All it contains is a limitation on the authority of the President to exercise control over salaries.

Mr. CRAWFORD. That is exactly the reason why I am raising these questions; I am not entirely clear.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield.

Mr. COOPER. The present \$67,200 is geared to the present tax rates.

Mr. CRAWFORD. That is the point I am trying to clear up.

Mr. COOPER. If the tax rates were increased, that, of course, would have to be increased.

Mr. CRAWFORD. It seems to me on the basis of that policy a person may receive a salary of \$2,500,000, 1 percent

of which would be \$25,000. I will let you figure it out for yourselves.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. KNUTSON. Mr. Chairman, I yield 8 minutes to the gentleman from Illinois [Mr. DEWEY].

Mr. DEWEY. Mr. Chairman, I listened with great interest to the statement of my colleague, the gentleman from Oklahoma [Mr. DISNEY.] I am a relatively new Member of this House. I am not a lawyer, but I always imagined that the intent as brought out in debate of a legislative body was the controlling factor of the legislation involved.

I have listened during this debate to various reports of statements made before the Rules Committee and discussions in the conference committee by various distinguished members of the Banking and Currency Committee as to what they understood to be the meaning of the phrase "gross inequities" as contained in the Price Control Act. I have had the privilege of being party to a meeting that went one step back of that. The time this Price Control Act was written. It was written under most unusual circumstances, and they are the following:

The President of the United States wrote a letter to the Chairman of the Banking and Currency Committee on December 6, stating as follows—and I read the first paragraph of the President's letter:

My attention has been drawn to proposals to revise the parity formula in connection with the legislation I requested September 7. As I understand, it is proposed to include certain allowances for farm labor in the index of prices which farmers pay that is used in computing parity prices.

The bill we had before us at that time in the Banking and Currency Committee rewrote the parity formula by including farm-labor costs. Understanding that the provisions contained in that bill were in complete disaccord with the request of the President in his letter of September 7, a new bill was written by six Democratic members and five Republican members of the committee in private conference. I should like to draw to your attention the nonpartisan collaborative effort made to write a price control bill that would prevent competitive price rise. At that time we attempted to tie the prices of agricultural commodities to the then-existing price levels which had been stable for about 10 months. We also tied wages to the then-existing wage levels, they also having been stable. We set as the stabilizing dates January 1 to September 15, 1942, in both cases. Then the discussion arose that there were certain groups of unorganized labor not receiving fair wages, as compared to similar work done by organized labor. That was considered as a case of gross inequity. A number of similar instances both regarding wages and commodity prices were discussed. I know, and I am very certain, that some of the gentlemen who are sitting here and who sat with me that evening when the bill was written, will admit that there was no reference to salaries.

Mr. DISNEY. Will the gentleman yield?

Mr. DEWEY. I yield to the gentleman from Oklahoma.

Mr. DISNEY. Where was the famous proviso containing "gross inequities" written? Who brought it in? Was it brought from some place to the Banking and Currency Committee?

Mr. DEWEY. That I do not recall.

Mr. DISNEY. I tried to trace down its ancestry, and I have had considerable difficulty in locating it.

Mr. DEWEY. I have no knowledge of where that egg was laid, but it appeared in the writing of this bill and it was fully discussed as to what was meant.

Mr. DISNEY. No member of the Committee on Banking and Currency drew the proviso?

Mr. DEWEY. Containing "gross inequities"?

Mr. DISNEY. Yes; the gross-inequities proviso. No member of the Banking and Currency Committee did that?

Mr. DEWEY. It was put in at the time of writing the bill. We tied wages and commodity prices to two dates, January 1 to September 15, 1942, but the President was given the authority to correct gross inequities, and that was referred to in the conversation at that time. Subsequently, when we went into committee, there were several other subjects discussed, but salaries were not mentioned in that connection except in an effort by one of the Members from the State of Texas, one of our good colleagues, who attempted to offer an amendment to cover salaries, which was voted down by a large majority. I know that my good colleague I have mentioned will say that we would not permit the bill to be amended, but he also knows that at other times when the price-control bill was being discussed there were other occasions when limitation of salary as part of the bill had been voted down.

Mr. GORE. Will the gentleman yield?

Mr. DEWEY. I yield to the gentleman from Tennessee.

Mr. GORE. I want to give the gentleman from Oklahoma some information that he requested about the phrase "gross inequities." As I recall, that provision was contained in the Senate bill and also in the original bill which the gentleman from Alabama [Mr. STEAGALL], chairman of the committee, introduced. The Senate bill served more or less as a guide to the framing of the bill which came to the House, and in the conference to which the gentleman made reference it was insisted upon by numerous people, one of whom I happened to be, that that provision, "gross inequities," applied to salaries, wages, and prices alike.

Mr. DISNEY. Will the gentleman yield?

Mr. DEWEY. I have one more statement to make.

Mr. DISNEY. Give us the name of the author of the amendment.

Mr. DEWEY. I want to say, in conclusion, to those persons who may ask "Where is there any control?" or "Can you jack salaries up to \$67,000 in the Disney amendment?" if they will refer to page 6 of the report, they will find an example there showing all the elements of control.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. COLE].

Mr. COLE of New York. Mr. Chairman, the House is called upon this afternoon to raise the authorized debt limit of this country from \$125,000,000,000 to \$210,000,000,000. There are some persons who contemplate a national debt of this stupendous size with a calm confidence that it will effect no serious dislocations in our domestic economy. There are others who anticipate rather eagerly reaching the upper amounts of this debt limitation under the belief that the more the Government spends and the deeper it goes into debt the more prosperous we will become as a Nation. In this group are some who visualize, with complete equanimity, a national indebtedness 20 times greater than the maximum fixed by this measure.

I confess to you, Mr. Chairman, that I am not a member of either of the groups just described. Most certainly I do not subscribe to the philosophy that we can spend ourselves rich, nor do I view a public debt of two hundred and ten billions without considerable apprehension. I am not yet ready to admit that the virtues of economy, saving, and thrift, taught to me at my mother's knee, have suddenly become outmoded and old-fashioned—false teachings of a misguided past. Countless generations and nations have passed across the stage of time ahead of us of this generation, but nowhere in all human history can be found a single instance where any person or any nation has successfully followed the practice of spending beyond his or its income. It has been tried many, many times but always ended in failure.

There is nothing peculiar to our generation that gives us a right to believe that we can succeed where others before us failed. Nor, in fairness to coming generations, do we have the right to experiment on a philosophy or practice which will have such violent repercussions and everlasting disaster if a failure. No, Mr. Chairman, I prefer to believe that every nation, just as every individual, is bound by the immutable laws of nature and economics and that the happy and prosperous nation or individual is the one who lives within his means. I prefer, sir, to believe that homely virtues of thrift are the lessons taught to mankind by man's experience on this earth.

To be sure, there is none who will disagree that in times of great national emergency, such as the one in which we are now passing, a nation may be called upon to apply its entire resources in order to avert a calamitous disaster. With an international outlaw at our doorstep, we cannot quibble over costs or dollars and cents. We must go on and on and on with our spending for the necessary implements of war for ourselves and our allies until we achieve victory. But this does not mean that we should or can continue to be extravagant in our expenditures for nonwar purposes.

Ever since the inception of the New

Deal, the one panacea that was adopted by them as the cure for all of our economic ills was the appropriation of public funds. The correction of each evil and the improvement of each bad condition was sought to be purchased by the New Deal with the public's money. Of course, some expenditures were justified, many were not. Gradually we have watched the public debt increase from twenty-eight billions at the birth of the New Deal to one hundred and nineteen billions at present and now we contemplate two hundred and ten billions. During all this time of gradual growth of our national mortgage, I have become more and more concerned with and fearful of the inevitable day of reckoning. Throughout the greater part of the life of the New Deal, I have opposed reckless, extravagant, and unnecessary spending. It is now more imperative than ever that we retrench in nonwar expenditures and I shall continue my efforts toward this end.

But, Mr. Chairman, a discussion of the public debt was not my purpose in rising at this time but rather to give my views in regard to the particular phase of this measure which affects salary limitations. It is to that item that I particularly invite your attention. The amendment seeks to suspend the operation of the Executive order fixing net incomes of all persons derived from salaries at \$25,000. With the purposes of the amendment, I am in complete accord.

It is perhaps likely that the vast majority of the people of this country are not concerned with the present provision of law limiting salaries to \$25,000, since there are but few of them who are directly affected by it. Nor am I, but there are fundamental principles involved which have such far-reaching implications that they should be brought to the attention of the public.

A history of salary limitations should be first made known. In 1928, the Communist Party proposed that salaries be limited to \$25,000. Early in 1942, the C. I. O. labor union dusted off this proposal and made it a part of its recommendation to the country. A short while later, Mrs. Roosevelt espoused its cause. In April of that same year, the President, in a message to Congress, stated that under present conditions, nobody should have an income in excess of \$25,000 per year after taxes. This proposal was carried to the House Ways and Means Committee which was then considering a tax measure. The committee and both Houses of Congress refused to adopt it. Early in the fall of 1942, the Congress considered and passed changes to the price control law which were designed to prevent inflation. It was repeatedly discussed whether that measure could be construed to authorize the President to impose salary limitations and the Congress was positively assured that it could not. That act was passed on October 2 and on October 3 the President issued an order limiting net salaries to \$25,000. It is that Executive order which the present amendment seeks to suspend.

Even though it might be economically sound and in conformity with the principles of our Government that an indi-

vidual's income should be limited, this provision of the present law should be repealed if for no other reason than the manner by which it became effective. It has become entirely too much the practice of our Government to impose law by Executive order or decree without prior legislative authority. If allowed to continue, it will inevitably lead us down the path toward dictatorship and one-man government and the Congress, spokesman for the people, will be but a weak, hollow, meaningless institution. The latent dangers of fascism, super-government, one-man rule, are already sufficiently widespread in our land without our knowingly permitting to be done the very things which our present thoughts demand should not be done. More than ever before, we must be on our guard against unauthorized usurpation of power by the Executive lest in the end we may suddenly find that our constitutional system of government is but an empty shell.

But even on the merits of the proposal to limit salaries, it should not be allowed to continue. Designed as an anti-inflation measure, tending to freeze or stabilize salaries, it very definitely does neither, except insofar as the few hundred actually affected by it are concerned. While all salaries above \$25,000 are brought down to that level, there is nothing in the order which would or is designed to prevent salaries from rising to meet that level. There are some 1,500 persons whose income in recent years has been in excess of \$25,000, but there are scores of thousands whose incomes might be raised to that maximum which, if done, would have a very dangerous effect upon our economy and encourage rather than deter inflation.

Further than this, let us ask ourselves whether it is consistent with the American way that one's income should be limited by his Government, even in time of war. If so, then where is the limit to be set? Today it is fixed by someone at \$25,000, but tomorrow another someone might fix it at \$15,000, \$10,000, or \$1,000. It is no argument to say that since our men are called upon to fight in the foxholes for \$600 and, therefore, salaries of others should be limited to any amount. If that is sound, then why should we not reduce the income of all persons to the level of the soldier and see that no one receives more than \$600? The way to reach high and excessive incomes, especially in times of war, but even also in times of peace, is through the accepted and democratic method of taxation. While the result may be the same, the difference in the mechanics of obtaining it are vastly different in principle.

It is in this connection that I am particularly concerned over the rule, whether it be by Executive order or by law, that one's income cannot advance beyond a given point. We have always prided ourselves that America is the land of opportunity. We have boasted of it. Other nations and peoples have envied us for it. Under our system we have said that there is no limit to which one might go through a proper application of his industry, energy, ingenuity, initia-

tive, enterprise, and thrift. The unrestricted exercise of one's talents is the very essence of democracy, circumscribed only by the accepted rules of honor and decency. Just as mankind should not be limited in his religious beliefs, neither should there be any barrier to his economic attainments. To do otherwise is to discourage ambition and enterprise, which inevitably will lead to an ever decreasing standard of living for all the people. Such is the way of Karl Marx, it has no place in America.

For two very persuasive reasons, Mr. Speaker, this amendment to repeal the salary limitation order should be adopted, both of which are fundamental in the American way of government and life. There must be no law which is not enacted by the people's representatives. There must be no law which causes the talents of the people to become degenerate. We must continue to be alert against incursions of either sort.

(Mr. COLE asked and was given permission to extend his own remarks in the RECORD.)

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Wisconsin [Mr. SAUTHOFF].

TWENTY-FIVE-THOUSAND-DOLLAR-SALARY LIMITATION

Mr. SAUTHOFF. Mr. Chairman, the measure before us is divided into two parts, the first part dealing with limitation on national debt and the second part setting aside the order of the President limiting salaries to \$25,000 per year.

Because the national debt is something which the war emergency make a necessity, I accept it, on the assurance of the President and the committee that the figures as presented are correct and that the limitation as defined in this measure will be reached in a few months.

I cannot agree that the Executive order setting a \$25,000 limit to salaries is unauthorized by law, and I trust that this part of the bill before us will be stricken out.

Section 1 of the Anti-Inflation Act grants to the President general authority to establish ceilings on salaries and wages. It is true that section 3 provides that no action should be taken for the purpose of reducing salaries or wages for any particular work below the highest level thereof between January 1 and September 15, 1942. However, there was a proviso which states that the President may "without regard to the limitation contained in section 2, adjust wages and salaries to the extent that he finds necessary in any case to correct gross inequities and also aid in the effective prosecution of the war."

The President on October 3, 1942, issued an Executive order which, among other things, directed the Director of Economic Stabilization to promulgate legislation to limit the amount of salary which any individual might receive to an amount which, after reduction by taxes thereon, would equal \$25,000. Such an order was issued on October 27, 1942.

A bitter controversy arose immediately following the issuance of this order and has been raging ever since. Many resolutions were passed by chambers of commerce, and letters have been received

by Members of Congress from manufacturers and others connected with big business, opposed to this Executive order. The objections can be covered generally under two heads:

First. The President exceeded his authority. Congress should fix the limit, if it saw fit.

Second. The order removes the incentive motive from men and women of ability to aid in the war effort.

Let us examine these objections.

The congressional act conveying this power upon the President specifically states that he may "adjust wages and salaries to the extent that he finds necessary in any case to correct gross inequities." In this portion of the sentence, we find that the President has power to:

(a) Adjust wages and salaries to the extent that he finds necessary.

(b) To correct gross inequities.

The President is given the power by Congress to determine what constitutes a necessity, and if he so finds, that ends it. No one else needs to act. He is the sole judge who is authorized to determine whether there are any gross inequities in wages and salaries, and if he finds there are, then he is empowered to fix limitations. It certainly cannot be said that he has acted beyond the scope of his authority in doing what Congress has stated in plain English he should do.

Now, let us look at the remainder of that sentence, "and also aid in the effective prosecution of the war." Who shall determine what shall aid in the effective prosecution of the war? Why, the President of course. So we come to the same conclusion as we did before; namely that Congress has authorized the President to act on wages and salaries, when he finds it necessary, to correct gross inequities and to aid in the prosecution of the war.

It would seem to me that the President has every authority in the world to act in regard to this matter, and I believe that he acted not only in accordance with the law, but he also acted wisely when he placed a ceiling on salaries.

But let us say for the sake of the argument that the President did exceed his authority. That still would not answer the question whether he acted wisely or not, and if he acted wisely, why not ratify what he did by a congressional act rather than criticize it and nullify it. Did I believe that the President had exceeded his authority, but that he had acted wisely in doing so, then I personally would feel it my duty to promptly pass an act backing him up on what he did, rather than undoing all the good that was accomplished by his conduct.

This is no new position for me to take, because when the Revenue Act of 1942 was under consideration I appeared before the Ways and Means Committee and suggested a limitation on salaries, so that no gross salary should exceed the salary of the President of the United States—\$75,000. Under the President's directive it is still possible for a salary of \$67,200 to be paid, the amount of taxes due upon such salaries reducing them to approximately \$25,000 net. So you see that my suggestion a year ago was pretty much in agreement with the Executive order of the President.

It also ought to be stated that before the President took this step he asked for an opinion from the Attorney General of the United States as to whether or not he was justified under the act passed by Congress to issue this order, and the Attorney General advised him that he had full authority under the act to proceed as he did. So much for legal authority.

Now we come to the question of incentive, and it strikes me that the editorial writers of the metropolitan papers, which I have read in Washington and other eastern cities, set the patriotism of able men and women at a pretty low estimate when they question their willingness to do something for their country in time of great need. What incentive does the soldier or sailor have who is out on the firing line? What incentive has the farmer and his wife and his children in producing food for the country? What incentives do the war workers in the shops have who are working at top speed to turn out the implements of war? What incentives do the millions of loyal, patriotic citizens have who skimp and save and deny themselves to invest in stamps and War bonds to help in the war effort? All of them are animated by the one common purpose—love of country.

I cannot conceive of the marines in the South Pacific laying down their arms and demanding \$67,200 a year, and yet they risk their lives while executives back home run no risk of any kind. I cannot conceive of the farmer refusing to raise the necessary food unless he got a salary of \$67,200 a year, nor can I conceive of the great mass of organized labor demanding \$67,200 a year.

A bill has been introduced only recently known as the Austin-Wadsworth bill, which provides for over-all organization and total mobilization of all our skills and of our man and woman power. In a joint statement by Senator AUSTIN and Representative WADSWORTH, in support of this bill, we find this sentence:

It would make known the equal liability of all in the war effort.

If this is a total war—and I believe it is—then everyone must have equal liability, equal service, and equal patriotism. Not one of these three things can be measured in dollars and cents. Certainly it cannot be said that the executive receiving \$500,000 a year, if his salary is reduced, makes an equal sacrifice to that of the five Sullivan boys who gave their lives in the South Pacific. Each gives to his country whatever measure of service he can appropriately render in his particular sphere, or the sphere in which the Government sees fit to place him. There cannot and must not be any favoritism or any special class singled out to be set apart and above the great bulk of our population. I think that is exactly what it is proposed here to do—to take one little group and give it preference. Farmers are working from 80 to 90 hours a week, striving to get out the food for the country, in spite of the fact that they are handicapped by the loss of their sons and their hired men, by the lack of labor-saving machinery, or even the replacement of parts which have been broken. Factory workers are

being injured and crippled every day of the week because of the need for haste in bringing out adequate supplies and munitions of war.

If I were an executive earning \$100,000 or \$200,000 or \$500,000 a year, I would feel that my patriotism had been questioned by any demand that a ceiling on salaries should be removed. We in Washington know that many splendid men and women are serving here without pay, trying to do everything in their power to aid our country in this grave emergency. These men and women are setting a splendid example. Let the rest of us measure up to this standard.

I consider it a gross inequality in wartime to permit one man to receive \$5,000 per month while the soldier or sailor, risking his life, receives only \$50 a month. Such inequities create a feeling of bitterness against management which manifests itself in a demand for higher wages among the workers and higher prices among the farmers. Let us not have one standard of service for 95 percent of our people and an entirely different standard of service for 5 percent. Let us not insist that the strong arm of the Government can reach out into the farm, the school, the shop, and the home and take our young men and ship them 8,000 miles away to fight in malarial swamps under the Equator facing death every instant, but that that strong arm must grow withered and palsied when it reaches for the almighty dollar. If this is a total war, then let there be total equality—equality of liability—equality of service—and equality of sacrifice.

(Mr. SAUTHOFF asked and was given permission to extend his own remarks in the RECORD.)

(Mr. REED of New York and Mr. DEWEY asked and were given permission to revise and extend their own remarks in the RECORD.)

The CHAIRMAN. All time has expired. The Clerk will read the bill for amendment.

The Clerk read the bill, as follows:

Be it enacted, etc., That this act may be cited as the Public Debt Act of 1943.

SEC. 2. Section 21 of the Second Liberty Bond Act, as amended, is further amended to read as follows:

"Sec. 21. The face amount of obligations issued under the authority of this act shall not exceed in the aggregate \$210,000,000,000 outstanding at any one time."

Mr. VOORHIS of California. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I cannot let this portion of the bill go by without at least saying a word in reference to the national debt. This bill provides for an increase in the debt limit of the United States to the huge sum of \$210,000,000,000. The reason we are doing that is because we know that in fighting this total war there can be no limitation of finance upon the extent of our production or our effort. We realize that our whole economy has got to be committed to the prosecution of this war. The only answer that we have given so far to the problem of furnishing finances for the prosecution of the war is by increasing our interest-bearing public debt.

I rise at this time merely to say that there is obviously another way in which you can do this financing. To my mind the ideal way in which any war should be paid for is out of taxes or out of borrowing the real money that comes from the pockets of people or corporations which they actually possessed and paid to the Government to purchase the bonds.

At least one-third of the total public debt of America has, however, come about in a very different manner from that. It has come about through the sale of interest-bearing securities of this Nation to the private banks of the country including the central Federal Reserve banks which have in turn purchased them with brand new demand deposits which have been written on their books. That one-third of the total public debt represents the creation of billions upon billions of dollars of new money by the banks. In 1942 it amounted to some \$19,000,000,000 in round figures. In my judgment, the interest upon that portion of the debt should never have to be borne by the American people. To the extent that we fail to pay for this war out of taxes or out of legitimate borrowings from individuals who give up actual purchasing power, to the extent that we fail to pay for it from those two sources, instead of increasing the interest-bearing debt we should utilize the sovereign right of the Government to draw upon its own credit, instead of permitting private institutions to usurp that governmental right as is now being done.

The purchase of those bonds by a private bank with newly created bank-deposit money amounts to an exercise on the part of that bank of the constitutional power of the Congress of the United States "to coin money and regulate the value thereof." We could quite as well sell to the Federal Reserve banks non-interest-bearing certificates. They would be purchased with the same reserve bank credit on the books of the Federal Reserve banks as are now used when they purchase interest-bearing bonds. This is a method whereby we could secure the funds we need to prosecute this war, over and above what we raise through taxes and legitimate borrowings, without adding to our interest-bearing national debt.

Reserve bank credit on the books of the Federal Reserve is nothing more nor less than the credit of the American Nation. I have a bill and the gentleman from Texas [Mr. PATMAN] has a bill which would make it possible for us to finance in this way that portion of the war, if any, which is to be financed out of new money creation without increasing the interest-bearing debt of the Government.

Heretofore I have offered amendments to these bills to increase the debt limit. My amendments have contained the provisions I have just briefly outlined. They have always been declared out of order, so today I am going to spare the House that difficulty. But I have heard so much about \$25,000 today and so little about \$210,000,000,000 that I had to speak. I hope there may be early consideration

of the legislation introduced by the gentleman from Texas [Mr. PATMAN] and myself.

The CHAIRMAN. The time of the gentleman from California has expired.

(Mr. VOORHIS of California asked and was given permission to revise and extend his remarks in the RECORD.)

Mr. DISNEY. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I take this opportunity to read to the House the regulation of the Commissioner of Internal Revenue, that is to say, the stabilization unit, under the heading of "Amount of Salary Payment." Reference is made here to general regulations, sections 1002.10 and 1002.11:

Conclusiveness of determination: Any determination by the Commissioner on a salary payment in contravention of the act is conclusive in every respect upon all executive departments and agencies of the Federal Government for the following purposes:

Calculating deductions.

Determining cost of the expense of the employer.

Subsection (b) under that states:

Any such determination by the Commissioner is final and not subject to review by the tax court of the United States or by any court of civil proceedings. Nothing herein is intended, however, to deny the right of any employer to contest in the tax court of the United States or in any court of competent jurisdiction the validity of any provision of these regulations on the ground that such provision is not authorized by law:

You cannot have a review on the facts, you must prove that the law is invalid. In other words, if you sustain this, what the bureaucrats downtown say about it, no matter how wrong they may be, is conclusive upon you and upon all those you represent.

Mr. SMITH of Ohio. Mr. Chairman, I move to strike out the last two words.

(Mr. SMITH of Ohio asked and was given permission to revise and extend his own remarks in the RECORD.)

Mr. SMITH of Ohio. Mr. Chairman, the gentleman from Illinois [Mr. DEWEY] stated that the second price-control bill was written by a nonpartisan group consisting of Republicans and Democrats. I am glad he brought this matter up himself, because it gives me an opportunity to tell the House something about it.

The Banking and Currency Committee had had under consideration the Steagall bill for several days. Suddenly one morning we found lying on our desks an entirely new bill. It seemed no one knew where it came from or who wrote it. It was apparent, however, that there must have been some meeting of minds on it, for there developed all too quickly strong support for the substitute measure, particularly from the Democratic side, for it to have been otherwise.

Some time after this substitute bill had been under consideration the word was passed around that there had been held a secret meeting by a goodly number of Democratic members of our committee and some five or six Republican members at the home of the gentleman from Illinois [Mr. DEWEY] the night before, and that at that meeting the substitute bill was written.

I cannot tell you how nonpartisan that meeting was, but I can tell you now how secret it was. I was not invited to it, and other members of the committee told me they had not been invited.

Now, the substitute bill that was brought in by the group which had held that secret meeting was, as nearly as I could tell, the Ginsburg bill. The Steagall bill was suddenly thrown out and the Ginsburg bill substituted. Mr. Ginsburg was at that time the chief legal counsel for O. P. A.

I am telling the House and country this story, because I believe it should be known to all how some of the legislation they live under is written.

But what is more important is that the secret writing of that price-control bill was in no small measure responsible for the bitter fight that was precipitated here on the floor when that measure was being debated.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Ohio. I yield to the gentleman from Michigan.

Mr. CRAWFORD. If I recall correctly, after that so-called secret bill was brought to the floor, the House rejected that bill and enacted its own measure by adopting the Brown amendment which revolutionized the bill.

Mr. SMITH of Ohio. That is right.

Mr. CRAWFORD. It seems to me the gentleman from Illinois awhile ago greatly confused the issue by leading the House, I think, to believe that it was the bill written at the secret meeting which the House actually adopted; but that is not my understanding of the case at all. We, the House, wrote our own bill on the floor. I stand on the record whatever it shows.

Mr. DEWEY. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Ohio. Not just now.

Mr. DEWEY. I think the gentleman ought to yield, inasmuch as he has mentioned me.

Mr. SMITH of Ohio. I will yield to the gentleman in a minute.

The point I am making, and I want to emphasize it, is that the heated controversy which shook this whole Nation was largely the result of that secret meeting.

Mr. DEWEY. If the gentleman does not yield, I will have to have the words taken down.

Mr. SMITH of Ohio. I yield.

Mr. DEWEY. I understood the gentleman from Michigan to state that I misled the House by saying that the piece of legislation that was passed was that legislation. There was no intention on my part to mislead the House. As a matter of fact, the bill was passed as we wrote it and as it was finally reported from the Committee on Banking and Currency, with an amendment offered by the gentleman from Georgia, I think. However, I do not believe the amending of a bill changes the character of the bill or the bill itself; it is an amendment to the bill.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Ohio. I yield to the gentleman from Michigan.

Mr. CRAWFORD. I did not say the gentleman misled the House.

Mr. HOFFMAN. The gentleman said he led the House to believe.

Mr. CRAWFORD. I said I felt he confused the House by bringing in the issue of the bill drawn up in the secret meeting. The Brown amendment, I guess it was, was offered and changed the whole face of the bill. Anybody ought to know that.

Mr. HOFFMAN. Is there anything wrong in a bunch of fellows getting together and writing a bill if they want to?

Mr. SMITH of Ohio. I think it is wrong to write legislation in the manner that bill was written. It is not fair to the rest of the members of the committee, to the House, or the country.

Mr. DEWEY. If it was a secret, how should the gentleman have been familiar with it?

Mr. SMITH of Ohio. I could not be sure about it until you yourself revealed the story here in open debate today.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. WOLCOTT. Mr. Chairman, I move to strike out the last three words.

Mr. Chairman, I think I was peculiarly fortunate in being invited to this so-called secret meeting.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. Yes.

Mr. DISNEY. Was Colonel Ginsburg there?

Mr. WOLCOTT. My memory is that the meeting was called in order that we might have a meeting on this bill without Colonel Ginsburg's presence and influence being felt.

Mr. PATMAN. It is a fact, is it not, that he wrote the Senate amendments, and the Senate amendments were the ones considered at the secret meeting, is it not?

Mr. WOLCOTT. I was just about to say that my memory is that the amendments offered by someone, whether he was at the meeting or not, followed closely the language of the bill which I understood was prepared by Colonel Ginsburg and introduced in the Senate, so that there was not any great harm done by the alleged secret meeting.

Mr. HOFFMAN. Just one simple question. Did you have a good time at that meeting?

Mr. WOLCOTT. There were certain ambiguities in the bill which those present made the mistake of adopting, and one of them apparently was the use of the phrase "gross inequities," because as I understand the original draft presented by Colonel Ginsburg used that term. The term "gross" is very well understood in the law, and any lawyer knows the distinction between gross and ordinary, but we did not awaken to the fact that there would be no judicial review, that there would be no opportunity for any court to pass on that phrase until the Executive order came out on October 3 and then we found ourselves embarrassed by the Executive order which prohibited review of the price control act or any regulation promulgated under that act. On December 11,

1942, I addressed a letter to the Honorable James F. Byrnes, Director of the Office of Economic Stabilization, and I received a reply from him on December 16, 1942, and, Mr. Chairman, I ask unanimous consent that a copy of the letter which I addressed to the Honorable James F. Byrnes, and his reply on December 16, may be considered as read as a part of my remarks and be printed in the Record at this point.

The CHAIRMAN. The gentleman will have to get that permission in the House.

Mr. WOLCOTT. I asked that because I understand that if it be considered as read as part of my remarks I would not have to get the permission in the House.

The CHAIRMAN. Nevertheless, the gentleman will have to get that permission in the House.

Mr. WOLCOTT. Then, Mr. Chairman, I shall revise my remarks and put the letters in. I know that I asked Mr. Byrnes where he got his authority that any regulation made pursuant to the authority pending shall be final and shall not be subject to review by the tax court, or by any court in any civil proceeding, and he replied—and I read one sentence from his reply:

The allowance or disallowance of any proposed increase of wages beyond the level of October 3 under the Executive order and such regulations is clearly an administrative, and not a judicial, function. And it is solely in this purely limited administrative sphere that the action of the National War Labor Board is made final. This, of course, does not mean that the validity of the regulations themselves are not subject to judicial review or that arbitrary or capricious decisions of the administrative agencies may not be corrected.

What he virtually says is that although the regulations are given the effect of law, because they are denominated as administrative functions and orders, they are not subject to review.

The letters referred to are as follows:

DECEMBER 11, 1942.

HON. JAMES F. BYRNES,
Director, Office of Economic Stabilization,
Washington, D. C.

DEAR JUSTICE BYRNES: In the regulations of the Economic Stabilization Board, known as Part 4001, approved October 27, 1942, I find the following language in section 4001.2:

"Any determination of the Board made pursuant to the authority conferred on it shall be final and shall not be subject to review by the tax court of the United States or by any court in any civil proceedings."

The question has arisen under what authority of law the President is authorized by Executive order to limit judicial review to determinations made by the National War Labor Board.

I have referred to Public Law 421 of the Seventy-seventh Congress, known as the Emergency Price Control Act of 1942, and also Public Law 729, Seventy-seventh Congress, which has to do with stabilization of prices, wages, and salaries. The Emergency Price Control Act of 1942 specifically authorizes reviews by special court, set up for that purpose, known as the Emergency Court of Appeals (sec. 204-a). Public Law 729 contains no restriction in respect to judicial review and apparently is not restricted by the provisions for review contained in the Emergency Price Control Act of 1942.

I will appreciate it very much if you will inform me under what authority of law the President or the Office of Economic Stabilization may provide by regulation that any

determination of the National War Labor Board shall be final and shall not be subject to review by any court in any civil proceedings.

Very sincerely,

JESSE P. WOLCOTT.

DECEMBER 16, 1942.

HON. JESSE P. WOLCOTT,
House Office Building,
Washington, D. C.

DEAR CONGRESSMAN: In your letter of December 11, you refer to section 4001.2 of the "Regulations Relating to Wages and Salaries" issued by me as Economic Stabilization Director on October 27, 1942 (7 F. R. 8748) and providing that the allowance or disallowance of subsequent wage increases by the National War Labor Board, to which agency was given the jurisdiction to deal with applications for such increase, should be final and not reviewable judicially, and you inquire the authority to provide by regulation that any determination by the National War Labor Board shall be final and not subject to review by any court in any civil proceedings.

I am not certain from your letter whether you are interested in the finality of all determinations of the National War Labor Board or only those determinations allowing or disallowing wage increases beyond those in existence on October 3, 1942. The regulations issued by me deal only with the latter class of determinations and do not purport to add finality to any other type of determinations made by the National War Labor Board.

Under the act of October 2, 1942 (Public, No. 729, 77th Cong., 2d sess.), the President was vested with the authority, acting through any agency or officer he should direct, to stabilize all wages and salaries. It was contemplated that the President would stabilize such wages and salaries "on the basis of the levels" which existed on a date selected by him as near September 15, 1942, "as practicable"; and he, or his selected agency or officer, was given discretionary power to make adjustments in such salaries or wages so fixed "to the extent that he (or such agency or officer as he shall direct) finds necessary to aid in the effective prosecution of the war or to correct gross inequities." By Executive Order No. 9250 (7 F. R. 7871), as supplemented by the regulations issued on October 27, 1942, both issued under the authority of the act of October 2, all wages were generally fixed as of October 3, 1942, subject to the jurisdiction of the National War Labor Board to allow increases in wages for a particular employee or group of employees "to correct maladjustments or inequities, to eliminate substandards of living, to correct gross inequities, or to aid in the effective prosecution of the war." The allowance or disallowance of any proposed increase of wages beyond the level of October 3 under the Executive order and such regulations is clearly an administrative, and not a judicial, function. And it is solely in this purely administrative sphere that the action of the National War Labor Board is made final. This, of course, does not mean that the validity of the regulations themselves are not subject to judicial review or that arbitrary and capricious decisions of the administrative agencies may not be corrected.

That section 4001.2 is of the limited scope outlined in the preceding paragraph was indicated in the explanatory regulations issued by the Commissioner of Internal Revenue with reference to section 4001.3 of the regulations of October 27, which, incidentally, gives to the determination of the Commissioner the same finality attaching under section 4001.2 to determinations of the National War Labor Board. Accordingly, in these regulations, issued with my approval, it was provided:

"(b) Any such determination of the Commissioner is final and not subject to review by the Tax Court of the United States or by any court in any civil proceedings. Nothing herein is intended, however, to deny the right of any employer or employee to contest in the Tax Court of the United States or in any court of competent jurisdiction the validity of—

"(1) Any provision of these regulations on the ground such provision is not authorized by law, or

"(2) Any action taken or determination made under these regulations, on the ground that such action or determination is not authorized, or has not been taken or made in a manner required by law."

Considered in the light of the foregoing observations, the regulations issued by me conform, I believe, to the congressional authorization given by the act of October 2.

Sincerely yours,

JAMES F. BYRNES, Director.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

[Mr. PATMAN addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. DISNEY. Mr. Chairman, may I ask what is the parliamentary status at this time?

The CHAIRMAN. The Clerk has read section 2.

Mr. DISNEY. I ask unanimous consent that section 3 may be considered as read and that we proceed to consideration of section 4.

The CHAIRMAN. Is there objection? There was no objection.

Section 3 is as follows:

SEC. 3. Section 22 of the Second Liberty Bond Act, as amended, is further amended by adding at the end thereof the following subsections:

"(h) The Secretary of the Treasury, under such regulations as he may prescribe, may authorize or permit payments in connection with the redemption of savings bonds to be made by incorporated banks and trust companies.

"(i) Any losses resulting from payments made in connection with the redemption of savings bonds shall be replaced out of the fund established by the Government Losses in Shipment Act, as amended, under such regulations as may be prescribed by the Secretary of the Treasury. The Treasurer of the United States, any Federal Reserve bank, or any incorporated bank or trust company authorized or permitted to make payments in connection with the redemption of such bonds, shall be relieved from liability to the United States for such losses, upon a determination by the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Treasurer, the Federal Reserve bank, or the incorporated bank or trust company. The Post Office Department or the Postal Service shall be relieved from such liability upon a joint determination by the Postmaster General and the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Post Office Department or the Postal Service. The provisions of section 3 of the Government Losses in Shipment Act, as amended, with respect to the finality of decisions by the Secretary of the Treasury shall apply to the determinations made pursuant to this subsection. All recoveries and repayments on account of such losses, as to which replacement shall have been made out of the fund, shall be credited to it and shall be available for the purposes thereof. The Secretary of the Treasury shall include in his annual re-

port to the Congress a statement of all payments made from the fund pursuant to this subsection."

The CHAIRMAN. Are there any amendments to section 3?

Mr. HOFFMAN. Mr. Chairman, I have an amendment. I move to strike out the last word. Mr. Chairman, I just wanted to say to the gentleman from Texas [Mr. PATMAN] I think what he said about those secret meetings of certain members of the Banking and Currency Committee is fine if just offered by way of entertainment, but I would like to ask him if he does not think that perhaps those members in getting together tried to avoid any political aspect—five Republicans and six Democrats—that might otherwise have marred their efforts. Is it not possible they got that idea from some legislative procedure that the gentleman from Texas followed some time ago? Did he not go into conferences with some of the anti-chain-store people and their attorneys when he was preparing certain bills having to do with the operation of chain stores?

Mr. PATMAN. Now, let us keep it on this committee.

Mr. HOFFMAN. All right. I can understand why the gentleman does not want to go back to the history of anti-chain-store legislation at this moment.

Mr. PATMAN. The gentleman says there were five Republicans and six Democrats. Name them. If the gentleman will do that first, he will find that he is incorrect.

Mr. HOFFMAN. I am taking the word of the gentleman from Illinois [Mr. DEWEY].

Mr. DEWEY. If the gentleman will yield to me I will name them.

Mr. HOFFMAN. I do not yield to the gentleman from Illinois for that purpose. If Congressmen wish to work overtime either at home or in their offices I think they are to be commended.

Mr. PATMAN. Call on your colleague to name them.

Mr. HOFFMAN. No; wait a minute. I can see why the gentleman wants to get away from that chain-store situation. I believe the members of the committee followed the practice which the gentleman used when he was formulating that chain-store legislation. The gentleman will remember he had many conferences and I think they were secret, as near as I can recall. I do not think the gentleman ought to condemn the boys for that effort to give us the best that was in them, and if they swallowed the words "grossly inequitable" without feeling the hook, the gentleman should not complain. The Congress—yes, and the people—have swallowed without the movement of an Adam's-apple a lot of New Deal hog wash that has since made us quite ill.

I yield back the balance of my time, Mr. Chairman.

Mr. O'KONSKI. Mr. Chairman, I move to strike out the last two words.

I have listened for 2 hours to the debate on this measure and have learned very little. A great deal has been said about the mandate from the people of America on November 3, 1942. That mandate has not been heard from, because I feel I am the only new Member of this House

who has taken the opportunity to speak on this bill, and I am stealing that opportunity in order to do so. It seems the old boys here think they can tell us what to do and how to vote. But not in my case.

I represent one one-hundred-and-fifth of that new mandate. I know what mandate I got from my people. No. 1: That there shall not be made any millionaires out of this war. That is a mandate I got from my people. No. 2: That there should be no favorites in this war.

I tell you, Mr. Chairman, I feel disturbed and disgusted when I learn that the Seventy-seventh Congress gave the President of the United States the power to set ceilings on farm prices, and the Congress said nothing about it. They were glad to clip the wings of the poor farmer. The Congress did not doubt his constitutional authority to act. They were glad he did act in this case. They gave the President of the United States the power to set a ceiling on wages, and were not worried about the constitutionality of that act. They were glad the President set a ceiling on wages. They gloated over it time and again.

But glory hallelujah, when the President of the United States uses that same power to put a ceiling on high salaries, my God, they bring in Blackstone, they bring in Lincoln, and they bring in everything under the sun—and yell, "It is unconstitutional! It is unconstitutional!"

I feel as one of the one-hundred-and-fifth mandate, the new Members of this Congress, Mr. Chairman, that what is sauce for the goose is sauce for the gander. If it is constitutional to put a ceiling on farm prices and wages, I think it is just as constitutional to put a ceiling on high salaries.

They talk about stifling initiative. You gentlemen of the Seventy-seventh Congress did not worry about stifling the initiative of the farmer when you gave the President the power to set a ceiling on farm prices. And the ceilings were set! Were you not stifling the initiative of labor when you gave the President the power to put a ceiling price on labor? But the millionaire—oh, that is different you say. The man who must be paid a million dollars to show his initiative is not a man in my opinion.

If a man must be paid a million dollars to induce him to do his part in this war, he is not a man, and certainly he is not an American. So, I hope we will forget all this silly argument on constitutional questions, on removing initiative, and what not. I honestly think that when our boys are dying on every part of the globe, in the air and under the water and on land, it is a sad tragedy that this House wastes a whole day arguing whether a man should be permitted to make \$67,000 or \$2,000,000.

Mr. Chairman, I hope that the salary limitation will be extended. If the Congress did not have enough sense to put it in, thank God, the President of the United States of America did. If it is constitutional to put a ceiling on farm prices and wages, it is just as constitutional to put a ceiling on the profits for

millionaires, who think that war and profits are the same thing.

The CHAIRMAN. The time of the gentleman has expired.

(Mr. ROBSON of Kentucky asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The Clerk will read. The Clerk read as follows:

SEC. 4. Effective as of October 2, 1942, section 5 of the Act of October 2, 1942, entitled "An act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes", is amended by adding subsection (d) to section 5, as follows:

"(d) No action shall be taken under authorization of this act, or otherwise, which will limit the payment of annual salaries to a maximum amount less than the greater of the following:

"(1) The annual rate of salary paid to such employee on December 7, 1941; or

"(2) An amount which after reduction by the Federal income taxes thereon would equal \$25,000."

Mr. COOPER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COOPER: Page 3, beginning at line 8, strike out all of section 4.

Mr. COOPER. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. COOPER. Mr. Chairman, I also ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Without objection, the gentleman from Tennessee is recognized for 10 minutes.

Mr. COOPER. Mr. Chairman, it is with regret that I am in disagreement with the majority of my committee on section 4 of this bill, but I am sure that they will accord to me the same honesty of purpose and sincerity of desire that I very cheerfully accord to them.

There is no disagreement as to the first three sections of this bill providing for the increase of the public debt from \$125,000,000,000 to \$210,000,000,000. The committee was unanimous on that and, of course, this increase of the public debt must be provided because of the war expenses.

My amendment seeks to eliminate section 4 from the bill and restore the bill to its original and proper form. Section 4 has no proper place in this bill as it is not germane to the rest of the bill and should be eliminated from it. It would be just as appropriate to include the lend-lease bill, or an amendment to the Selective Service Act in this bill as it would to include section 4 of this bill.

It has been stated that one of the main reasons for including section 4 in the debt-limit bill is that the President could not afford to veto it and would thereby be forced to accept the repeal of the \$25,000 salary limitation in order to get the increase of the debt limit. I just do not think this is quite the fair and proper way to treat the President of the United States. I think he could very properly veto this bill with section 4 in it and ask the Congress to pass the debt-limit bill as introduced by the chairman

of the Ways and Means Committee, which could be done very promptly and which should be done now.

The adoption of my amendment would do this and this alone: It would enable us to consider the increase of the debt limit. This was provided for in the bill introduced by the chairman of the Ways and Means Committee and is the thing that should be under consideration here today. That bill would have already been passed and probably be law today if this entirely extraneous and ungermane matter had not been injected into this. I want to invite your attention to a moment or two to a consideration of section 4.

There has been much discussion here about the President's exercise of authority, about the intent of Congress, and various other phases of the matter, but there has been very little actual discussion during this debate or consideration given to just what this section 4 included in this bill will do and I think it is time that we should pause and wave aside any hysteria that may prevail and actually consider the words and phrases included in section 4 of this bill and let us for ourselves see what it will do before we are swept off our feet by any other things that have been injected into this debate.

The vice of section 4 is that it removes all restraints on increases in annual salaries under \$67,200 until such salaries reach \$67,200, assuming the present Federal tax rates, though this amount would be increased if the rates were increased. Wages cannot be controlled if salaries are to be uncontrolled. The mechanic earning \$30 a week will never understand the justice of an anti-inflation law which regulates his wages but at the same time permits the salary of his boss or the head of his company to go from \$10,000 to \$67,200 without legal hindrance or restraint.

Salaries and wages must be controlled in the same manner and by the same law. By passing section 4 of this bill, however, we have the situation presented that the workers of this country working for wages have a ceiling placed above them, but people drawing salaries have no control placed on them at all until their salaries reach \$67,200. Let us assume the illustration of a man working by the hour or by the day or receiving wages amounting to \$50 a week, and a man over in the office in the same business receiving say \$200 a month, substantially the same rate: This man receiving the wages has a ceiling placed on him, yet the man receiving the salary of substantially the same amount would have no restraint on him until he reached \$67,200. I submit to you that it is not fair; it is not the proper way to approach this problem.

The Ways and Means Committee has no jurisdiction over this question. The Price Control Act was considered thoroughly and at great length by the distinguished Committee on Banking and Currency and they brought it in here and it was passed. Section 4 attempts to amend that act, an act under the jurisdiction of another committee, yet this section is brought in here by a different committee of the House than that which

dealt with the original question notwithstanding all the lengthy consideration that was given to that measure.

In the interest of orderly legislation the proper thing to do is to strike section 4 out of this bill. Let us go on and pass the bill increasing the national debt limit from \$125,000,000,000 to \$210,000,000,000, which is urgently necessary for the prosecution of the war, and then let the distinguished Committee on Banking and Currency give such attention as is necessary to working out any difficulties that may have arisen with respect to the Price Control Act. They could bring in a bill repealing the effect of the Executive order or working it out on a proper basis and we would then be legislating in an orderly manner; but to come along here today and through the guise of a provision that has no proper place in this bill say we are going to place a ceiling on wages and yet no ceiling or no restraint on salaries is a position we should not allow ourselves to be found in. No hearings were held, no proper consideration was given to this phase of the bill. The way I suggest is the best way this problem could be met and dealt with in an orderly manner.

Mr. KNUTSON. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Tennessee [Mr. COOPER].

Mr. Chairman, you realize, of course, that I am talking to the Members on this side, and may I say to them that a tremendous drive is going to be made to eliminate this section from the bill. Just what difference does it make, if this is necessary legislation, whether it is tacked on by the Ways and Means Committee or by the Committee on Banking and Currency? It is just about the same difference as between tweedledee and tweedledum. Of course, they are not going to catch anyone who has been here a few terms on this very adroit appeal for which the gentleman who has just taken his seat is a past master.

Mr. DISNEY. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Oklahoma.

Mr. DISNEY. Well, now, reference has been made to wage earners, but they have had raise after raise. Did not the 48-hour order raise their salaries about 30 percent in the last month? Is there any argument about that?

Mr. KNUTSON. The 48-hour order had that effect but the demagogue is not concerned about that, because there are so many wage earners. They are popular because of their numerical superiority. It is the popular thing to jump on the so-called higher-income brackets. The gentleman from Tennessee [Mr. GORE], who is an able and fine young man, jerked a few tears when he read from a statement that Eugene Grace of Bethlehem Steel is being paid \$500,000. He says that all of that comes out of war profits, but he did not tell you that Uncle Sam takes over \$400,000 of that \$500,000 in income taxes, leaving Mr. Grace \$100,000 for State income taxes, local taxes, living expenses, contributions to charities, and such other

incidentals as he may be faced with. Now I call that demagogy, don't you?

Mr. GORE. Will the gentleman yield?

Mr. KNUTSON. Yes, if the gentleman has any idea he can excel his past efforts I will be glad to yield to him.

Mr. GORE. Of course, I will not reply to the gentleman's charge of demagogy. I submit that is up to the House. I want to say that any comparison of the boy who is dying today for \$50 a month with the man who is making the steel with which he shoots cannot be made. The latter is in a favored position when he has left after all taxes \$100,000 or even \$67,000.

Mr. KNUTSON. Listen to them applaud. You would think some of them had not been near a barber shop for 6 months.

Mr. Chairman, I do not want to take any more time except to say to the new Members: Do not let them stampede you the way the Indians used to stampede buffalo back in the old days on the frontier. Stand up and show them you are not rubber stamps. I know you are not.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DISNEY. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, if we really want to start demagoging we might make mention of the soldier boys drawing \$600. You have heard that suggested. But bless your bones, the executives in the Army do not make \$600 a year, or \$50 a month. The executives in the Army get as high as \$8,000, \$12,000, and \$15,000. The top generals get paid according to their responsibility just like you are getting paid according to your responsibility. That is what is involved here. This boggy about inflation is stuff and nonsense. Do you know in what instance you do not have to get the Commissioner's consent and still not be guilty of a crime? This regulation says that the Commissioner's approval is not required where an increase in salary rate is made in accordance with the terms of a salary agreement or salary rate schedule in effect on October 3, 1942. First, individual promotion or classification; second, individual merit increases; third, operation of established plan of salary increases on length of service; fourth, increased productivity under an incentive plan, and fifth, operation of a trainee system. You do not have to say a word to the stabilization unit under those conditions. You can raise your employee from \$2,000 to \$5,000 if that is your rate system.

If it is such a horrible thing to permit salaries to be raised, why has not that been changed by the Treasury Department? The argument vanishes in thin air. They are not doing the job themselves because they know it is not the proper thing to restrict salaries according to the suggestions that have been made here this afternoon.

I want to call the attention of my good friends from the community property States to something and I want to read you this and see how you like it. Under

this order that has been promulgated, under this proviso—this Ginsburg proviso—the elimination of salaries provided for in sections 1002–18 to 1002–24, inclusive, shall in nowise be affected by any community property law. For example, if an employee, a resident of one of the community property States, receives a salary of \$100,000, under the laws of that State, \$50,000 is credited or may be credited to the wife, but for the purpose of these regulations the employee's salary is \$100,000, not \$50,000. This Congress has fought the community property battle back and forth through all these years. I have been against the community idea myself, but this order does it against your wish and against your will. That is the reason that I say the whole system permitted under this thing is a vicious way to permit public business to be carried on.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. I yield to the gentleman from Texas.

Mr. PATMAN. The gentleman must admit in fairness that his amendment will not change that regulation or order.

Mr. DISNEY. If it does not, it ought to.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. GEARHART. Mr. Chairman, I offer a perfecting amendment.

The Clerk read as follows:

Amendment offered by Mr. GEARHART: On page 3, line 8, strike out all of section 4 and insert the following in lieu thereof:

"SEC. 4. No provision of law heretofore enacted (except provisions fixing the compensation of officers and employees of the United States) shall be held or considered to authorize a limitation, in terms of a stated amount of money (whether before or after allowance for any taxes or other items) of the aggregate amount which may, in any stated period of time, and without regard to the character of the services rendered, be paid to, accrued in respect of, or received by, any individual as compensation for personal services; and any regulation heretofore issued which prescribes any such limitation shall, to the extent that it so prescribes, be void from the time of its issuance. This section shall not prevent the stabilization of wages or salaries on the basis of levels which existed on any stated date between January 1, 1942, and September 15, 1942."

Mr. GORE. Mr. Chairman, I make the point of order against the amendment that it is not germane.

The CHAIRMAN. Does the gentleman wish to be heard on the point of order?

Mr. GORE. Very briefly, Mr. Chairman.

The amendment is not germane to the amendment offered by the gentleman from Tennessee nor is it germane to the bill to which the gentleman from Tennessee offered his amendment. It takes in subject matter which is contained in neither the amendment nor the bill.

The CHAIRMAN. Does the gentleman from California wish to be heard on the point of order?

Mr. GEARHART. Mr. Chairman, I merely point out that the section to which I offered my amendment is a section which fixes limitations on salary

earnings. The amendment I offer would also fix limitations upon salary earnings. I do not see that there is anything involved in my proposal which violates the rule.

The CHAIRMAN (Mr. WOODRUM of Virginia). The Chair thinks that both the section in the bill and the amendment regulate restrictions on salaries. The Chair is unable to see from reading the amendment offered by the gentleman from California that it is any broader in scope than the section 4 in the bill and, therefore, overrules the point of order.

The gentleman from California is recognized for 5 minutes.

Mr. GEARHART. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. GEARHART. Mr. Chairman, a moment ago one of our number arose to announce that he had listened intently to all the discussions which had occurred on this floor and had learned nothing. After listening to his remarks, may I add that I agree with him implicitly. In buoyant English that boomed through this Chamber he announced that \$25,000 is enough for any man to have, therefore he does not care whether the limitation is imposed by the Congress itself or by Executive fiat. Yet he took an oath to support the Constitution of the United States and to protect and defend it. The Constitution of the United States divides the power of government into three distinct parts, the legislative, the judicial, and the executive. Does she mean to tell us that he is perfectly willing to disregard that oath and allow the Chief Executive to issue as fiats, mandates, edicts, the laws of this land? Does the word "usurpation mean nothing to him?"

Let me assure my young friend from Wisconsin that if this \$25,000 order is to stand it can be amended, amended time and time again. If the President can fix the salary limit at \$25,000 he can fix it at \$12,000, and, horrors, he can fix it at less than \$10,000. I wonder if the gentleman from Wisconsin would have whooped it up so enthusiastically if the President, as an amendment to this regulation, had reduced his salary to \$1,500 a year? If such a dire calamity as that should occur, I feel quite sure that the gentleman's squawks, like that shot that was fired at Lexington, would be heard around the world. He might pause long enough to check up to see if we still have a Constitution. It might be well for some of you fellows who cheered his bombast a few moments ago to look into that on your own.

Now let me get back to my amendment. The gentleman from Wisconsin said something about salaries, something about wages, something about prices. If you adopt the amendment I have offered salaries, wages, and prices will be placed on exactly the same basis. There is nothing in my amendment which would take from the President the right to stabilize prices, wages, and sal-

aries as you intended he should stabilize them, stabilize them as of a date to be fixed by him—upon a date between January 1 and September 15. He will be able to stabilize them as you when you passed the bill declared he should stabilize them. So vote for the Gearhart amendment and you will put back in clear unmistakable terms the intent which you had in your minds when you passed the price, wage, and salary stabilization bill.

The reason we are indignant, we who know and pay some respect to the Constitution of the United States, is that this authority which we conferred has been used in a manner in which we did not intend to have it used. We passed a bill in the exercise of the authority with which the Constitution invested us to legislate. In that regulation against which we protest that constitutional authority to legislate has been taken from us by a man who has decided in his own mind that he knows what is best for us. He has in the spirit of "papa knows best" promulgated a rule of conduct which he thinks is better than the one we have laid down as the law of the land. By his arbitrary fiat he has assumed the right to control "the purse strings" by issuing a directive the effect of which has been to reduce the revenue collections, as fixed by the Revenue Act which the Congress of the United States passed, by more than \$110,000,000. Is nothing constitutionally sacred any more?

Talk about preventing inflation! Mr. Chairman, the President's executive order is an inflationary measure if there ever was one. It takes taxes out of the public coffers and puts them in the hands of the people to spend. If that is in line with present anti-inflation theories, I have yet to have it explained to me. Perhaps I am in that same state of mental confusion in which the gentleman from Wisconsin [Mr. O'Konski], who learned nothing after listening to all of the debates here today, finds himself. I submit that we should put salaries, wages, and prices on exactly the same plane. Deal with them in exactly the same way. If you are of that frame of mind, still believe in the Constitution, you will vote for this amendment.

Mr. DISNEY. Mr. Chairman, as I understand it the Speaker desires that the Committee rise in order that he might sign a bill. I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WOODRUM of Virginia, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill H. R. 1780, and had come to no resolution thereon.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Frazier, its legislative clerk, announced that the Senate had passed without amendment a bill of the House of the following title:

H. R. 1501. An act to extend for 1 year the provisions of an act to promote the defense of the United States, approved March 11, 1941.

Mr. DISNEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 1780.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 1780, with Mr. WOODRUM of Virginia in the chair.

The Clerk reported the title of the bill.

Mr. GORE. Mr. Chairman, I rise in opposition to the amendment, and ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. The gentleman asks unanimous consent to proceed for 5 additional minutes. Is there objection?

Mr. MARTIN of Massachusetts. Mr. Chairman, I reserve the right to object. I understand that the gentleman from Oklahoma is rising now to attempt to fix a limit of time on debate. If that is to be the case, of course, the request of the gentleman from Tennessee should not be granted. We have already had an extra 5 minutes of debate given to one speaker on the majority side of the House, and to one Member on this side of the House. The gentleman from Tennessee [Mr. GORE] has been frequently on the floor this afternoon, and if we are going to have any curtailment in debate, this is the time to make the decision, because this should not be granted if it is the purpose to abridge debate. I understand that the majority leaders desire to finish this bill tonight. If we are going to have prolonged debate under the 5-minute rule every time somebody takes the floor, we are going to have to sit here late.

The CHAIRMAN. The gentleman from Tennessee has a request pending.

Mr. DISNEY. My purpose is to finish the bill if we can. How many gentlemen desire to speak I do not know at this time.

Mr. MARTIN of Massachusetts. If the gentleman wants to abridge debate, he must object to the extension of time right now.

Mr. DISNEY. Oh, I thought the gentleman from Massachusetts was going to object.

Mr. SHAFER. Mr. Chairman, I object.

Mr. GORE. Mr. Chairman, it remained for me to be here 5 years before facing the charge of demagoguery. In reply I submit to the gentleman from Minnesota, in all fairness, that if I had been trying to win a popularity contest I would not have advocated a ceiling over the prices of commodities which the farmers in my district produce, or a ceiling over the wages and earnings paid to the men who work in the factories, shops, and coal mines of Tennessee. This is a much bigger question to me than of whether I am a demagogue. Mr. Chairman, this goes to the very heart and core of our fight against inflation in this country, and I submit that it is an important question.

Mr. EATON rose.

Mr. GORE. Oh, I yield to the distinguished gentleman from New Jersey, and

I thank God that a man like him is the ranking member of the Committee on Foreign Affairs.

Mr. EATON. I am very glad that the gentleman is in such a thankful frame of mind. I do not know whether I am on this subject or not, but I would like the gentleman to clear up one thing for me. As I understand it this amendment that has been placed in this bill deals with one question. Has the Chief Executive of the United States the authority on his own initiative to fix the level of salaries in this country without being empowered to do so by act of this Congress, a coordinate branch of the Government?

Mr. GORE. Mr. Chairman, again I ask that I may have unanimous consent to proceed for three additional minutes.

The CHAIRMAN. Is there objection?

Mr. MERRITT. Mr. Chairman, I object.

Mr. GORE. Let me finish my answer to the gentleman from Minnesota. I say to the gentleman from Minnesota that I did not mention the salary of the president of the Bethlehem Steel Corporation other than to answer the spurious argument that money was being lost to the Treasury by the regulations imposed by the President. Since the gentleman has brought that up, I shall read further salary increases typical of increases spread over the country before the President's order. For instance, here is the salary of a salesman of the Monarch Machine Tool Co. In 1939 his salary was \$12,000, and in 1941 this same salesman drew a salary of \$47,000. That is typical of many increases before the Executive order was issued.

The President's order stopped that. That is in answer to the gentleman from New Jersey [Mr. EATON] also.

I would like to read to him some of the others. For instance, the Cessna Aircraft Corporation, a little concern, but he got a war contract. The vice president in 1940 made \$2,325, a little less than \$200 a month, but last year he drew \$89,851.

Mr. GEARHART. Will the gentleman yield for a question?

Mr. GORE. I decline to yield. The President's order stopped such outrageous increases. Now, coming to the question of the gentleman from New Jersey [Mr. EATON], definitely the President, in my opinion, had authority to issue the order which he did issue.

Mr. EATON. Where did he get the authority?

Mr. GORE. He was given authority by Congress in the second price-control act, known as the Price Control Act of 1942. The charge was made that I was derelict in my duty because I did not advise the House of my opinion on that bill. I submit that is a new parliamentary conception. If every Member should be charged with the duty of advising the House of his opinion on every bill, we would have a long, drawn-out procedure. I will tell the gentleman why I did not speak on the bill. It was such a far cry from what I thought we should have, from what I thought we should have done, that I did not have the heart

to get up and speak in advocacy of it. However, I thought that since the mistake had been made, since we started out on a piecemeal basis, and since things had gone so helter-skelter that a rigid control by law would be inadvisable, so, I fell in line and supported the administration and tried to help it get the authority which it said it needed, not because I agreed with the approach it made, but because I thought it necessary. We gave the President authority and he exercised it, and now some are complaining of it.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. MCCORMACK. Mr. Chairman, I ask unanimous consent that the gentleman from Tennessee be given 3 additional minutes.

Mr. SHAFER. Mr. Chairman, I object.

Mr. DISNEY. Mr. Chairman, I ask unanimous consent that all debate on this section close in 45 minutes.

Mr. SMITH of Virginia. Reserving the right to object—

Mr. BROOKS. Mr. Chairman, I reserve the right to object.

Mr. DISNEY. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WOODRUM of Virginia, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill H. R. 1780, had come to no resolution thereon.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. JARMAN (at the request of Mr. GRANT of Alabama), indefinitely, on account of death in family.

EXTENSION OF REMARKS

Mr. ROBINSON of Utah. Mr. Speaker, I ask unanimous consent to extend my remarks and include therein certain statements made before the Rules Committee. I am advised by the Government Printing Office that this will cost \$150. I ask unanimous consent that it be printed notwithstanding.

The SPEAKER. Is there objection? There was no objection.

[The matter referred to appears in the Appendix.]

SUPPLEMENTAL REPORT ON H. R. 324

Mr. MURRAY of Tennessee. Mr. Speaker, I ask unanimous consent that I may have permission to file a supplemental report on the bill H. R. 324.

The SPEAKER. Is there objection? There was no objection.

C. DAVID GINSBURG

Mr. SHAFER. Mr. Speaker, I ask unanimous consent to proceed for 2 minutes.

The SPEAKER. Is there objection? There was no objection.

Mr. SHAFER. Mr. Speaker, I take this time to congratulate the gentleman from Virginia [Mr. FLANNAGAN], the gentleman from Georgia [Mr. COX], and the gentleman from Michigan [Mr. HOFFMAN] for their efforts, made earlier today, which I believe blew out of water the commis-

proceed





DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued March 13, 1943, for actions of Friday, March 12, 1943)

(For staff of the Department only)

Contents

A. A. A.....	14,30,35,44	Farm conditions.....	25	Petroleum.....	3
Adjourned.....	9,21	Farm Security.....	31	Post-war planning.....	19
Alaska.....	29,32	Food distribution.....	5	Price control.....	45
Appropriations.....	1,10,40	Forests.....	8	Priorities.....	48
Board of Legal		Fertilizers.....	17	Protein feeds.....	17
Examiners.....	37	Food production.....	8,12,17	Puerto Rico.....	7
Bureaucracy.....	26	Grazing lands.....	6	Rationing.....	46
Butter.....	23	Irrigation.....	4	Rehabilitation.....	7
Child care.....	10,34	Labor, farm.....	20,31,36,39	Sabotage.....	41
Civil service.....	15,37	Labor shortage.....	36	Selective service.....	20
Credit, farm.....	12	Labor standards.....	47	Small business.....	11,23
Dairy industry.....	16	Lend-lease.....	13,24,38	Taxation.....	28
Debt limit.....	2	Machinery, farm.....	17	Transportation.....	18,27,43
Education.....	22,33,42	Meat rationing.....	11	Wheat.....	14,35
Emergency relief.....	7				

HOUSE

1. Farm-labor appropriation. Appropriations Committee reported without amendment H. J. Res. 96, making appropriations to assist in providing a supply and distribution of farm labor for 1943 (H. Rept. 246) (p. 1962). For provisions of the measure see Digest 43.
2. Debt limit. Passed without amendment H. R. 1780, to increase the U. S. debt limit from \$125,000,000,000 to \$210,000,000,000 and to nullify the President's \$25,000 salary limitation (pp. 1942-56).
3. Petroleum. Rep. Bloom, N. Y., inserted the State Department report on H. Res. 150, requesting the President to furnish the House information as to the amount of petroleum products sent to Spain (H. Rept. 245) (pp. 1939, 1962).
4. Irrigation. Rep. Elliott, Calif., inserted Calif. State Railroad Commissioner Havenner's telegram urging additional water supply for San. Joaquin Valley to meet the "Federal Government's demand for increased agricultural production" (p. 1940).
5. Food distribution. Rep. Keefe, Wis., criticized the reported fact that "tons of unneeded food are rotting in Nome," inserted a Seattle Post-Intelligencer article on this subject, and urged an investigation of the matter (p. 1959).

6. Grazing lands. Received from the Interior Department proposed legislation to provide for the acquisition of lands for grazing lands. To Public Lands Committee. (p. 1962.)
7. Emergency relief. Received from Interior Department a proposed bill to amend the Emergency Relief Appropriation Act, 1935, to provide that funds allocated to Puerto Rico may be expended for permanent rehabilitation. To Insular Affairs Committee. (p. 1962.)
8. Food production. Received from the R. I. General Assembly a memorial urging the Navy Department to accept the Wickaboxet State Forest, for a firing range, in lieu of the 6,680 acres of productive farm land they intended to condemn for that purpose (p. 1962).
9. Adjourned until Mon., March 15 (p. 1961).

SENATE

10. Deficiency appropriations. Passed with amendment H. R. 1975, first deficiency appropriation bill, 1943 (pp. 1967-89). Agreed to the committee amendments relating to this Department. Rejected a motion by Sen. Hayden, Ariz., to suspend the rules and insert provisions for child care for working mothers (p. 1985). Sens. McKellar, Glass, Hayden, Tydings, Overton, Nye, and Lodge were appointed Senate conferees (p. 1989).
11. Meat rationing. Sen. Wherry, Nebr., inserted a resolution of the Senate and House Small Business Committees and Journal of Commerce editorial requesting OPA and this Department to fix packer quotas and allocate supplies in preparation for meat rationing. (pp. 1986-87.)
12. Farm credit. Received a report from the Byrd Committee on Reduction of Non-essential Federal Expenditures "relating to the regional agricultural credit corporation in their relation to the Federal agricultural lending policy." To Appropriations Committee. (H. Doc. 20) (p. 1963.)
The report, printed in the Record (pp. 1990-95), recommends abolition of the FAUC production-loan program, that the Secretary advise Congress "as to how the various lending agencies of the Department...can best simplify and consolidate their activities," enlargement of the crop production and harvesting loan program, and discontinuance of "solicitation of borrowers" by the agricultural lending agencies; and expresses the hope that private lending agencies "will make available agricultural loans at interest rates as low as possible." Sen. LaFollette, Wis., stated that the report does not necessarily reflect his views as a member of the Committee, since the report had not been submitted to him (pp. 1989-90).
13. Lend-lease. Received the quarterly report of the Lend-Lease Administrator. To Foreign Relations Committee. (p. 1963.)
14. A. A. A.; wheat. Sen. Copper, Kans., inserted a resolution from Independent Farmers of Kans. favoring H. R. 1186 and 1187, to modify and repeal, respectively, the marketing-quota provisions of the AAA Act (p. 1964).
15. Civil service. Sen. Barkley, Ky., inserted a UFWA resolution opposing S. 575, the McKellar Senate-confirmation bill (p. 1965).

ced for 1 minute, to revise and extend my own remarks in the RECORD, and include an article by Mr. Roy Gibbons, appearing in the Times-Herald of this morning.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mrs. ROGERS]?

There was no objection.

[Mrs. ROGERS of Massachusetts addressed the House. Her remarks appear in the Appendix of today's RECORD.]

EXTENSION OF REMARKS

Mr. MRUK. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein certain quotations.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. COLE of New York. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a communication from a constituent.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. MILLER of Connecticut. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a telegram.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

[The matter referred to appears in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. MUNDT. Mr. Speaker, I ask unanimous consent that on Monday next, following any special orders heretofore entered, I be permitted to address the House for 20 minutes.

Mr. MARTIN of Massachusetts. Reserving the right to object, Mr. Speaker, I am hopeful of having a Republican conference on Monday, and I wish the gentleman would select some other day if he can.

Mr. MUNDT. Then, Mr. Speaker, I ask unanimous consent to address the House on Tuesday for 20 minutes.

The SPEAKER. Is there objection to the request of the gentleman from South Dakota?

There was no objection.

INVESTIGATION OF INDIAN CONDITIONS

Mr. MUNDT. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from South Dakota?

There was no objection.

Mr. MUNDT. Mr. Speaker, we hear a great deal these days concerning the very candid statement of Winston

Churchill about protecting and retaining the British Empire, and the equally candid statement of Joseph Stalin about expanding the Russian Empire. As to where we should consider the United States, some say first, some say second, some say third, and some say way down the line, and a few, I am afraid, have almost forgotten about the United States altogether. However, I am not going to talk about where we should consider America today, but I am going to suggest that we give some consideration to the first Americans, the American Indians.

We Americans are a little bit free in criticizing some of our allies among the United Nations for their treatment of some of the subjugated races and aboriginal people under their jurisdiction. I should like to see the United States come into court with clean hands as we approach the peace table and urge the extension of the four freedoms everywhere. To do this we must first develop proper and adequate care of the American Indian whose original homeland we Americans appropriated in the onward march of civilization.

For that reason and to that end I am introducing in the House on Monday a resolution calling for an investigation of the treatment being accorded the American Indian in this country at this time. This is in pursuance of a memorial passed by the Legislature of South Dakota, recently assembled in session, and asking Congress to take action to give justice to the American Indian. On Tuesday I am going to discuss the matter at length on the floor of the House.

EXTENSION OF REMARKS

Mr. GOODWIN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial from the Boston Herald.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. SMITH of Wisconsin. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a letter and a circular.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a short article.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

[The matter referred to appears in the Appendix.]

LIMITATION OF SALARIES

Mr. SMITH of Virginia. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. SMITH of Virginia. Mr. Speaker, I call the attention of the House to the so-called Gearhart amendment, which was pending at the time the Committee rose on yesterday. It appears on page 1933 of the RECORD. If I construe that amendment correctly, it lifts all control over salaries. I do not believe the House wants to do that. I believe that what the House wants to do is say that the President shall not have power to lower anybody's compensation. I have pending on the desk an amendment to the Disney amendment which does just that and no more. I hope that before the time comes to vote on the subject the House will give careful consideration both to the Gearhart amendment and the amendment you will find on the Clerk's desk.

COLLECTION OF PERSONAL INCOME TAXES

Mr. ROBERTSON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. ROBERTSON. Mr. Speaker, in the course of 10 days or 2 weeks the House will be called upon to vote on the tax measure relating to the collection of personal income taxes. Some Members may be interested in certain tables I have inserted in the CONGRESSIONAL RECORD. You will find them on pages A1212 and A1213 of the RECORD of March 11.

TAXING ESTATES SUCH AS THAT OF MARSHALL FIELD

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. RANKIN. Mr. Speaker, in reply to the gentleman from Virginia [Mr. ROBERTSON], I call attention to the fact that I have introduced a bill, which has been referred to the Committee on Ways and Means, to stop one of the gaps through which large estates are now escaping taxation.

I have called attention to the fact that the Marshall Field estate that is now being wasted in the publication of a radical newspaper in New York, called PM, will fall into the hands of Marshall Field III in September 1943. Unless this bill is passed, that estate, which has grown to probably \$200,000,000, will absolutely escape all estate and income taxes.

I say it is an outrage, while we are taxing the masses of the American people and drafting our boys and sending them to die all over the world in our country's cause, to permit this estate, through the manipulation of certain lawyers, to escape taxes altogether, and to pour that wealth into certain hands to be used by

a radical group for the purpose of undermining and destroying confidence in the Congress of the United States.

EXTENSION OF REMARKS

Mr. COFFEE. Mr. Speaker, I ask unanimous consent to extend my own remarks and include a letter from a constituent.

The SPEAKER. Is there objection? There was no objection.

[The matter referred to appears in the Appendix.]

CALL OF THE HOUSE

Mr. McCORMACK. Mr. Speaker, I make the point of order that there is no quorum present.

The SPEAKER. Evidently there is no quorum present.

Mr. McCORMACK. Mr. Speaker, I move a call of the House.

The motion was agreed to.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 23]

Bradley, Mich.	Hinshaw	O'Toole
Buckley	Jarman	Reece, Tenn.
Byrne	Kirwan	Rees, Kans.
Cochran	Kleberg	Russell
Culkin	Lewis, Colo.	Schuetz
Curley	Luce	Slaughter
Dawson	McGregor	Sparkman
Dingell	Marcantonio	Sumners, Tex.
Domegoux	Miller, Nebr.	Treadway
Fellows	Morrison, N. C.	Weiss
Fish	Murphy	Whelchel, Ga.
Gamble	Newsome	White
Gibson	Nichols	Whitten
Hagen	Norton	Winter

The SPEAKER. On this call, 392 Members have answered to their names, a quorum.

Mr. McCORMACK. Mr. Speaker, I move to dispense with further proceedings, under the call.

The motion was agreed to.

EXTENSION OF REMARKS

Mr. LUTHER A. JOHNSON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection? There was no objection.

[The matter referred to appears in the Appendix.]

Mr. EBERHARTER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and insert two editorials, one from the Pittsburgh (Pa.) Post and one from the Scranton Tribune.

The Speaker. Is there objection? There was no objection.

[The matter referred to appears in the Appendix.]

Mr. WHITE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include an article on money in the post-war world.

The SPEAKER. Is there objection? There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

EXTENSION OF DEBT LIMIT

Mr. DISNEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 1780) to

increase the debt limit of the United States, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 1780, with Mr. WOODRUM of Virginia in the chair.

The Clerk read the title of the bill.

Mr. DISNEY. Mr. Chairman, I rise at this time to see if we can get some agreement on the matter of time. Some of the amendments offered have been discussed thoroughly. The gentleman from Virginia [Mr. SMITH] has an amendment at the desk which has not yet been read, and the gentleman from California [Mr. VOORHIS] informs me that he has an amendment.

Mr. WHITTINGTON. I suggest to the gentleman that he postpone his request for limitation of time until the amendments are presented.

Mr. DISNEY. Very well.

Mr. SMITH of Virginia. Mr. Chairman, I offer the following amendment, which I send to the desk and ask to have read.

The Clerk read as follows:

Amendment offered by Mr. SMITH of Virginia as a substitute for the amendment offered by Mr. GEARHART: Strike out all of section 4 and insert the following:

"Sec. 4. Effective as of October 2, 1942, section 5 of the act of October 2, 1942, entitled 'An act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes,' is amended by adding subsection (d) to section 5 as follows:

"(d) No action shall be taken under authorization of this act or otherwise which will limit the payment of annual salaries to a maximum limit less than the annual amount of salary paid with respect to the particular work involved on December 7, 1941."

Mr. SMITH of Virginia. Mr. Chairman, I ask unanimous consent to proceed for an additional 5 minutes.

The CHAIRMAN. Is there objection? There was no objection.

Mr. SMITH of Virginia. Mr. Chairman, I have offered this amendment because I am in the same situation that I think a great many Members of the House are. I want to vote for something to correct a situation that Congress never intended. I do not think Congress ever intended that the President should have the power to lower existing salaries or wages. That is what all this rumpus is about. It is because the President has undertaken to lower existing salaries. I do not know that this amendment is the answer, but it is the only defensible answer that I can think of. Let us take the Disney amendment. The Disney amendment as I understand it under its second clause would permit the increase of salaries up to a limit of \$67,200. We have passed an act which gives the President power to stabilize wages. The President has proceeded under that authority, through the War Labor Board, and has imposed upon labor what is known as the Little Steel formula, which prohibits them from getting a raise of more than 15 percent of a certain date. If we pass the Disney amend-

ment, anybody making a salary of say \$5,000 on December 7, 1941, can have it raised to \$67,200 a year.

Mr. GEARHART. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Virginia. Not now. How are we going to defend a proposition where we say that we are going to fix the price of labor of the man in overalls and yet let the man who draws a salary have an increase up to \$67,200? I do not see how we can consistently do that.

Let us take the Gearhart amendment. I think if you will read it carefully and eliminate from it the excess verbiage, which is largely technical; in substance, the amendment in my judgment takes the lid off the control of both wages and salaries. I called attention a little while ago to this fact, and if you will look in the RECORD you will find the amendment on page 1933. Read the Gearhart amendment, and I think you will reach the same conclusion as I have.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Virginia. Not at this moment. The first clause of that amendment takes the bridle entirely off control of wages and salaries, and then in the concluding sentence it says, "Nothing in this act shall prevent the President from stabilizing wages." We are in a pickle now because we put some language in there that we do not know what it means. I do not know what that means, that nothing shall prevent the President from stabilizing wages. I do not think that means anything. I think the effect of the Gearhart amendment is to take it all off, and the effect of the Cooper amendment would be, of course, to destroy the Disney proposal entirely.

If I am correct in my understanding of what this House wants to do, it wants to say to the President, "You cannot disturb any man's vested rights. If a man had a salary on the 7th of December, you can stop him there, but you cannot lower his salary."

I do not think we want to say that within the limits up to \$67,200 the lid is off, and anybody who has made a salary of, say, \$1,500 on the 7th of December can be raised to \$67,200. If you do that, how are you going to defend any such proposition when you say to labor, "You shall not have any increase over 15 percent?"

I now yield to the gentleman from California [Mr. GEARHART].

Mr. GEARHART. I have a very profound respect for the gentleman's legal opinion, but I am afraid he is wrong on both counts.

Mr. SMITH of Virginia. I may be.

Mr. GEARHART. You cannot raise salaries under the Disney proposal without any controls up to the \$25,000 tax net because there are two very, very definite controls.

Mr. SMITH of Virginia. They are not in this bill. I know that argument. They say there are a lot of definite controls.

Mr. GEARHART. The controls are in the hands of the executive department, in the control of the President of the United States.

Mr. SMITH of Virginia. I do not yield further, Mr. Chairman. It is very easy to say we have got other controls. We have got the tax control and this, that, and the other control. But what you are going to defend is the Disney bill and not what is in some other bill. I do not think that is the answer to it.

Mr. MOTT. Will the gentleman yield?

Mr. SMITH of Virginia. I yield.

Mr. MOTT. If the gentleman will look at section 4 of the amended Price Control Act, the so-called Anti-Inflation Act, he will find that the President is given authority to stabilize wages and salaries by fixing them at the highest point which existed between two certain dates prior to December 7, 1941.

Mr. SMITH of Virginia. Yes.

Mr. MOTT. Now the Gearhart amendment declares that the order of the President which exceeds the authority given him under the amended Price Control Act, shall be null and void from the date of its issuance, but it goes on to say that this shall not prevent the stabilization of wages and salaries by freezing them as of a date certain between January 1, 1942, and September 15, 1942. In other words, the President still may stabilize wages and salaries under the provisions and limitations of the Price Control Act of 1942.

Mr. SMITH of Virginia. Well, there are a lot of words in the Gearhart amendment. I do not agree with the gentleman's construction.

Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Virginia. I yield.

Mr. WHITTINGTON. The effect of the gentleman's amendment is to eliminate the objection that salaries may be raised from, say, \$1,000 up to \$67,000?

Mr. SMITH of Virginia. Yes.

Mr. WHITTINGTON. And the further effect of the gentleman's amendment is to let wages that might have been raised prior to the effective date of the Price Control Act, October 2, 1942, remain at the point to which they had been raised, but to freeze all salaries back of the date of the declaration of war.

Mr. SMITH of Virginia. Subject to the Stabilization Act, to make adjustments.

Mr. EBERHARTER. Will the gentleman yield?

Mr. SMITH of Virginia. I yield.

Mr. EBERHARTER. Would the gentleman's amendment have any effect on the powers of the President as to stabilizing wages?

Mr. SMITH of Virginia. It does not affect the Stabilization Act except to say that the President cannot reduce anybody's salary.

Mr. EBERHARTER. Does it affect wages at all?

Mr. SMITH of Virginia. No.

Mr. RANKIN. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Virginia. I yield.

Mr. RANKIN. It was brought out here on yesterday, I believe, that there was one man who was drawing a salary of \$900,000 in 1941, or 12 times the salary of the President of the United States. As I understand it, neither the Smith amendment nor the Gearhart amend-

ment would permit the President, under the present law, to reach that salary. Is that correct?

Mr. SMITH of Virginia. That is correct. I will answer the gentleman further: I do not think it is the philosophy of this Congress or of this country that a man's incentive to make as large a salary as he can, the individual incentive that has made this country great, should be taken away from him by act of Congress or act of the President.

Mr. CASE. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Virginia. I yield.

Mr. CASE. If I understand the gentleman's amendment correctly, it seeks to put a floor as of a dated time the same as existed with the stabilizing of farm prices and wages of labor?

Mr. SMITH of Virginia. I have selected the same date that the Disney bill selected.

Mr. HALLECK. Will the gentleman yield?

Mr. SMITH of Virginia. I yield.

Mr. HALLECK. I recognize that section 4 of the present act refers to the date, December 7, 1941, but the stabilization act originally applied to the date January 1 to September 15, 1942.

Mr. SMITH of Virginia. Yes.

Mr. HALLECK. Why would it not be better, in the event the gentleman's amendment were to prevail, to follow the pattern set originally in the price-control act?

Mr. SMITH of Virginia. My reason for not doing it is this, that you would then freeze all abuses in respect to salary increases that might have occurred between December 7, 1941, and September 1942. You will have a wide door open there. That was my reason for adhering to that date.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Virginia. I yield.

Mr. MAY. As I understand the situation, the larger salaries about which some complaint is made, are usually fixed by a board of directors of some corporation which employs some outstanding man in its organization. Will the gentleman's amendment freeze the salaries of the different concerns with war contracts with the War Department, from Pearl Harbor, or the 7th day of December, on up?

Mr. SMITH of Virginia. From the 7th day of December on up. After that date it does freeze those salaries.

The CHAIRMAN. The time of the gentleman has expired.

Mr. ROBERTSON and Mr. GEARHART rose.

The CHAIRMAN. The gentleman from Virginia [Mr. ROBERTSON] is recognized.

Mr. ROBERTSON. Mr. Chairman, I favor this Smith amendment and I hope my distinguished colleague from Oklahoma [Mr. DISNEY] will accept it.

The Smith amendment does what many of us want to do, and does it, in my opinion, in a fairer and better way than either the Gearhart amendment or the Disney amendment. Under the Smith amendment we differentiate between the peacetime control and war

control. Under the Smith amendment salaries existing as of December 7, 1941, cannot be lowered by Executive order.

Under the Disney amendment, and this, in my opinion, is the chief objection to the Disney amendment, you leave wages under the control of control boards and take salaries under \$67,200 from under any control except the Treasury Department.

Mr. DISNEY. Will the gentleman yield?

Mr. ROBERTSON. Yes.

Mr. DISNEY. The gentleman will agree, that as a factual matter, not as a political matter, that control is effectual, will he not?

Mr. ROBERTSON. It may be effectual, but if I were a superintendent getting \$5,000 and got my salary increased to \$10,000, and one of my men under me was getting \$10 a day and wanted to be raised to \$12 a day, it would not be very effectual for me to tell him, you go to the Stabilization Board for your authority. I will take my chances with the Treasury.

Mr. DISNEY. Will the gentleman yield for another question?

Mr. ROBERTSON. I yield.

Mr. DISNEY. If your company had a fixed salary range up to \$10,000 you could raise it from \$5,000 to \$10,000 without going to the Stabilization Board about it.

Mr. ROBERTSON. There are several ways.

Mr. DISNEY. And this is the right way.

Mr. ROBERTSON. There are six or seven ways of raising individual salaries or wages which this and the other plans do not interfere with, but I say, if we want to be fair, if we want to get a bill that will not create disunity and dissatisfaction between the white-collared workers and laborers, take the Smith amendment, because the other measures, one wipes out all control prior to September 15, 1942, and the other just wipes out control over salaries.

Mr. COOPER. Will the gentleman yield?

Mr. ROBERTSON. I am sorry I cannot—my time is too limited.

When the price-control bill was first before this House, I offered an amendment to include wages and salaries under the original price-control bill, and that is what we should have done at that time, because we faced serious inflation in 1941. We did not do it. The President said, "Leave wages to me; I will control wages." He tried to control them, but he did not have any too much luck. Then, in October of last year, we provided for control of salaries and wages; and the next day, I believe, he put on this \$25,000 limitation. When that proposal was made to us last summer, in the Ways and Means Committee, I voted against it. I did not like the idea of a \$25,000 or any other kind of limit, although if I have got a single constituent who has ever been affected by the limit of \$67,200, I do not know it. I know they have not written to me about this.

Then, when the Disney bill came before us in committee I voted against it for two reasons. I said, "Let us put this tax measure in a tax bill"; that was one

objection. The second objection I just mentioned. It has been cured by the Smith amendment: Treat everybody alike after we put on war control—and the Congress has voted for war control—on wages and salaries. I think it is a necessary thing in time of war, but if you are going to have war controls on wages and salaries, adopt the Smith amendment, and make it a fair one; treat the white-collar worker and the wage earner alike.

The CHAIRMAN. The time of the gentleman from Virginia has expired.

The Chair recognizes the gentleman from California [Mr. GEARHART] in opposition to the amendment.

Mr. GEARHART. Mr. Chairman, the gentleman from Virginia, undoubtedly an able lawyer, and one whose opinion is entitled to very careful consideration, has voiced objection to section 4 of the Disney bill and to the amendment which I introduced yesterday. The grounds of his objection to the Disney proposal were that all salaries below \$25,000 tax net, or \$67,200 gross, run hog wild without any control; and his objection to the Gearhart amendment was to the effect that there was no control in effect at all.

Mr. ROBERTSON. Mr. Chairman, will the gentleman yield?

Mr. GEARHART. No; I cannot yield, as much as I would like to.

Now, to discuss the gentleman from Virginia's objection to the Disney proposal. The assertion of the gentleman utterly ignores other legislation. The Treasury Department under existing legislation can control excessive salaries by the simple device of disallowing a deduction credit claimed in an employer's income-tax return in respect thereto. The President, acting through the Treasury, can meet and control any scandalous situation which may arise. Further, his control under the terms of the statute providing for the renegotiation of contracts is equally complete. This statute requires every governmental agency that has to do with the renegotiation of contracts to see to it that no unreasonable salaries are authorized. So the assertion that, under the Disney bill, there is no control over salary gouging simply is not true.

Now, in reference to the Gearhart bill, that involves a little understanding of what this Stabilization Act is. It is a bill which was intended to stabilize the cost of living by freezing prices, salaries, and wages in their relation to each other as of a definite date to be selected by the President between January 1, 1942, and September 15, 1942. If you reach out and pick this strange date of December 7, 1941, as a freezing date for the fixing of salaries you have destroyed the central theory which underlies the legislation, that is the Price, Wage, and Salary Stabilization Act. The Gearhart amendment puts in the President's hands the right to control wages, salaries, and prices under exactly the same conditions, vindicates the intention that you and I had when we voted that bill through and sent it to the White House.

So my amendment is in line with the bill we long ago passed and which the

President signed on October 2, 1942. It is in complete harmony with that which we have done heretofore. If you accept the Gearhart amendment you will have stabilized the cost of living by fixing and freezing incomes on salaries and wages, as of a single date, each in proper relation to the other. It is the President's violation of this act which my amendment strikes.

I am sorry but the advocates of the amendment offered by the gentleman from Virginia simply have completely missed the point. The adoption of the Smith amendment would completely destroy the act of October 2 as an inflation deterrent. It would completely disassociate control of wages from control of salaries and the whole idea of stabilization of the cost of living would fail.

Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield?

Mr. GEARHART. I yield.

Mr. WHITTINGTON. Is it not true that the Disney amendment by providing a salary increase up to \$67,200 would repeal, if enacted into law, the discretion in the Secretary of the Treasury and the authority which exists and which can be exercised in the renegotiation of contracts?

Mr. GEARHART. Nothing like that could possibly occur. To suggest that section 4 of the Disney bill would effect a repeal by implication of revenue legislation or contract renegotiation measures is to assert the absurd. Nothing could be further from fact.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WOLCOTT. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I hope that this matter will not become too confused. I oppose the Smith amendment for several reasons.

The first is that it sets up an entirely different standard for salaries than that set up for wages. The law now provides that nothing in the Stabilization Act shall give the President, or any agency which he might designate, the authority to reduce salaries and wages between the highest paid between January 1, 1942, and September 15, 1942. Now, by the adoption of the Smith amendment, first, we set up an entirely different standard for salaries than wages. We leave wages as of between January 1, 1942, and September 15, 1942. We date salaries back to December 7, 1941.

I am afraid that this committee is having delusions of grandeur in respect to salaries. We have been talking about five and six thousand dollar salaries so much that we think everybody who is on a salary basis receives something over \$100,000; but most of the salaried people in the United States today are low-salaried people. "Salary," as I understand it, and as we are given to understand in all the definitions is "remuneration figured on an annual basis."

Let us take as an example a clerk in an office receiving \$100 a month on December 7, 1941. On March 1, 1942, her salary is raised to \$150 a month. The Smith amendment would give authority to reduce the salary of that \$150 clerk back to \$100. That is the first objection.

The next is that the President assumed to have authority to limit salaries and wages under the proviso in section 4 of the act of October 2. If the Smith amendment is adopted, it does not change the situation one bit, because he can still reduce or limit salaries or wages according to his interpretation of the phrase "gross inequities" in the proviso. So the Smith amendment is meaningless. It sets up only a new standard which the President may deviate from because he has already deviated once from the standard which has been set up. To set up a new standard from which he can deviate does not correct the situation at all.

There is only one question involved in the consideration of this bill and that is whether the Congress shall legislate or whether the bureaus shall legislate. In due course, if the Smith amendment is defeated, and I hope it will be because it is absolutely meaningless, I expect to offer a substitute which strikes out the language under which the President assumes to have the authority to limit salaries and wages. We will stabilize by putting wages and salaries upon the same basis, and then to make the matter more clearly apparent as to what is the intent of Congress, section (b) of my amendment, which will be offered as a substitute if the Smith substitute is defeated, rescinds the Executive order. Then we start in status quo right where we were and if in the wisdom of the lawmaking body of the Government it is found desirable to limit salaries to \$25,000 or \$1,000 we can do it and it will be done under the Constitution.

Mr. Chairman, there is a very fundamental question involved here which we have got to settle today, and it will not be settled by the adoption of the Smith amendment.

The CHAIRMAN. The time of the gentleman has expired.

Mr. MAY. Mr. Chairman, I rise in support of the amendment and ask unanimous consent that I may proceed out of order.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky [Mr. May]?

There was no objection.

Mr. MAY. Mr. Chairman, I want to make a brief explanation and statement with respect to the question raised by the gentleman from Virginia [Mr. FLANNAGAN] on yesterday, particularly in regard to the commissioning of one David Ginsburg in the United States Army as a colonel.

Mr. Ginsburg made application for a commission in the Army about the 8th day of this month. How strange it is that we have been at war for more than a year, and yet this gentleman was not interested in getting into the service of his country until I appointed a special committee to investigate the persons subject to induction for military service in Government agencies. That application was not approved and has not even been recommended. Furthermore, the regulations of the War Department at this time and an Executive order which has been entered by the President prohibits the commissioning of any person

from civilian life who is under 35 years of age. Mr. Ginsburg is just past 31.

There is one way, however, by which he might secure a commission, and that would probably be as a second lieutenant. He can volunteer through his local draft board or he can be inducted by his local draft board as a private in the ranks. He can then take his basic training course which is required by the Army of the United States, actual military performance, ground training, for a period of about 3 months, and then apply, if he can qualify, and get into an officers' training school, where he will take an additional course of training. At the end of that time if he passes the grade and qualifies, he is commissioned usually as a second lieutenant.

Mr. SHAFER. Will the gentleman yield?

Mr. MAY. I yield to the gentleman from Michigan.

Mr. SHAFER. Is it not true that that regulation has been circumvented on numerous occasions and appointments have been made of men under 35?

Mr. MAY. There have been a few appointments of men under 35 who possessed peculiar qualifications in some scientific way or as an engineer. There have been thousands upon thousands of commissions issued to civilians in the Medical Corps. Those are of men who possess medical experience and training and other qualifications that the average ordinary citizen does not possess.

Mr. RANKIN. Will the gentleman yield?

Mr. MAY. I yield to the gentleman from Mississippi.

Mr. RANKIN. I may say to the gentleman from Kentucky that it is stated in the paper this morning that Colonel Browning said:

I told him if he was interested we would consider him for that job. I said it would be impossible to commission him in this country on account of Secretary Stimson's order forbidding commissions for civilians under 35, but because this is an overseas job and because of the hazard involved the board might give him more favorable consideration.

I am wondering why that job was not given to somebody who is already in the Army and let this man Ginsburg take his place in the ranks? Why did they not promote some worthy man who is already over there?

Mr. MAY. Colonel Browning testified that, and I have his full testimony here in my hand. He stated that he had made a search and an examination of the Army personnel to try to find someone who would fill the bill. The strange thing is that the applicant for the commission as a colonel had made an inquiry about the possibility of losing his job in the Office of Price Administration, and stated that he would like to get into the Army so soon after my committee unearthed his deferment status. Within a few days after that desire was expressed, there turned up a request from London—I do not know how it came here or why—for three officers to be sent over there—two majors and one captain. They thought possibly the applicant Ginsburg might fill the specifications for a captain. I

think Ginsburg should face the music and go in as other young men of the country do and shoulder his gun and go to the front.

The CHAIRMAN. The time of the gentleman from Kentucky has expired.

Mr. VOORHIS of California. Mr. Chairman, I offer an amendment to the Smith amendment.

The Clerk read as follows:

Amendment offered by Mr. VOORHIS of California to the amendment offered by Mr. SMITH of Virginia: At the end of the Smith amendment add the following:

SEC. 4. Supertax on individuals.

(a) The Internal Revenue Code is amended by inserting at the end of chapter 1 the following new subchapter:

"SUBCHAPTER E—SUPERTAX ON INDIVIDUALS

"SEC. 477. Imposition of tax.

"There shall be levied, collected, and paid for each taxable year beginning after December 31, 1942, upon the supertax net income of the following individuals the supertax shown in the following table:

"(a) In the case of every individual making a separate return—

If the supertax net income is:	The supertax shall be:
Not over \$25,000	50% of the supertax net income
Over \$25,000 but not over \$50,000	\$12,500, plus 75% of excess over \$25,000
Over \$50,000	\$31,250, plus 90% of excess over \$50,000

"(b) In the case of individuals making a joint return under section 482 (b)—

If the supertax net income is:	The supertax shall be:
Not over \$50,000	50% of the supertax net income
Over \$50,000 but not over \$100,000	\$25,000, plus 75% of excess over \$50,000
Over \$100,000	\$62,500, plus 90% of excess over \$100,000

"SEC. 478. Supertax net income.

"(a) The term 'supertax net income' means the gross income computed under section 22 minus the sum of the deductions allowable under section 23, Federal income taxes (but not including the tax imposed by this subchapter) imposed for the taxable year, and the amount of income, war-profits and excess-profits taxes disallowed as a credit by reason of section 131 (b). The deduction in respect of the tax imposed by section 450 shall be limited to such tax less the credit allowable under section 454.

"(b) For the purposes of subsection (a) gross income computed under section 22 shall include interest received or accrued upon the obligations of a State or political subdivision thereof acquired after the effective date of section 477.

"SEC. 479. Capital gains.

"If for any taxable year the net long-term capital gain exceeds the net short-term capital loss, there shall be levied, collected, and paid in lieu of the tax imposed by section 477, a tax determined as follows:

"A partial tax shall first be computed, at the rates and in the manner as if this section had not been enacted, upon the supertax net income reduced by the amount of such excess and increased by the tax computed upon such excess by applying section 117 (c) (2), and the total tax shall be the partial tax plus 50 percent of such excess as reduced by the tax computed upon such excess by applying section 117 (c) (2).

"SEC. 480. Specific exemption.

"There shall be allowed as a credit against supertax net income in the case of a person

filing a separate return a specific exemption of \$25,000, or in the case of a husband and wife filing a joint return under section 481 (b) a specific exemption of \$50,000.

"SEC. 481. Returns.

"(a) Requirement: Every individual having a supertax net income for the taxable year of \$25,000 or over, and if no joint return is made under subsection (b), shall make a return, which shall contain or be verified by a written declaration that it is made under the penalties of perjury, stating specifically the items of his gross income and the deductions and credits allowed under this subchapter and such other information for the purpose of carrying out the provisions of this subchapter as the Commissioner with the approval of the Secretary may by regulations prescribe.

"(b) Husband and wife: In the case of a husband and wife living together the income of each (even though one has no gross income) may be included in a single return made by them jointly, in which case the tax shall be computed on the aggregate income, and the liability with respect to the tax shall be joint and several.

"(c) Different accounting periods: If the accounting period of a husband or wife filing a joint return is different from that of the other spouse filing such return, the time for filing such return and the items of gross income, deductions and credits to be included therein shall be determined and adjusted in accordance with such method as in the opinion of the Commissioner shall properly reflect the tax due from said husband and wife.

"SEC. 482. Expiration Date.

"The taxes imposed by this subchapter shall not apply with respect to any taxable year commencing after the date of cessation of hostilities in the present war. For the purposes of this section, the term 'date of cessation of hostilities in the present war' means the date on which hostilities in the present war between the United States and the Governments of Germany, Japan, and Italy cease, as fixed by proclamation of the President or by concurrent resolution of the two Houses of Congress whichever date is earlier, or in the case the hostilities between the United States and such governments do not cease at the same time, such date as may be so fixed as an appropriate date for the purposes of this subchapter."

(b) Classification of provisions: Section 3 is amended by adding at the end thereof the following new paragraph:

"SUBCHAPTER E—SUPERTAX ON INDIVIDUALS"

(c) Foreign tax credit: Section 131 (a) is amended by striking out "or section 450", and inserting ", section 450 or section 477" and section 131 (h) is amended by striking out "and section 23 (c) (1)" and inserting ", section 23 (c) (1) and section 478."

SEC. 2.

No provision of law heretofore enacted authorizing the stabilization or adjustment of wages and salaries shall be construed to authorize a maximum limitation of specified amount upon the salaries of all persons or of any class or classes of persons determined solely by reference to their salaries or other income, whether such limitation be made with or without provision for deductions, credits or other allowances. The provisions of this section shall not be construed to authorize any other adjustment, stabilization, or limitation not otherwise authorized.

Mr. DISNEY. Mr. Chairman, I reserve a point of order against the amendment.

Mr. VORYS of Ohio. Mr. Chairman, I make the point of order against the amendment. I am getting so confused by the series of amendments here that I believe a speech on something that is not before us now could well be reserved until we can take up the matter in order.

Mr. VOORHIS of California. May I be heard on the point of order, Mr. Chairman?

The CHAIRMAN. The Chair will hear the gentleman on the point of order.

Mr. VOORHIS of California. Mr. Chairman, the Smith amendment seeks to answer one of the problems that has troubled many Members of the House, namely, whether or not the Executive was given power actually to reduce salaries below what they were on the date of Pearl Harbor. If the Smith amendment should be adopted by the House, it would answer that particular phase of the problem that confronts us. There is another phase of this problem, however, a problem pointed out to the House by the gentleman from Tennessee [Mr. COOPER] and many others, namely, that it is incumbent upon this Congress to deal fairly and equitably with all groups in the population and to prevent this war resulting in the enrichment of anyone.

Mr. MARTIN of Massachusetts. Mr. Chairman, I submit that the gentleman is not speaking to the point of order.

The CHAIRMAN. The gentlemen will confine his remarks to the point of order.

Mr. VORYS of Ohio. The point of order is that this is an amendment in the third degree. It has nothing to do with the merits or the substance of the amendment to which it is offered.

Mr. COOPER. May I say, Mr. Chairman, that it is not in the third degree. It is an amendment to a substitute, and therefore is in order. There can be an amendment to the substitute and an amendment to the amendment.

Mr. VOORHIS of California. The so-called Disney amendment is not an amendment.

Mr. MARTIN of Massachusetts. Mr. Chairman, my point is that the gentleman is not explaining wherein his amendment is in order.

Mr. VOORHIS of California. I am attempting to do that, I may say to the gentleman.

The CHAIRMAN. The gentleman will confine his remarks to the point of order.

Mr. VOORHIS of California. It is my contention, Mr. Chairman, that both purposes aimed to be served by the Congress first in attempting to deal fairly and equitably with the problem of inflation and second to avoid any possible charge of excess of power on the part of the Executive would be served if the Smith amendment as amended by my amendment were adopted.

Mr. Chairman, we have before us a provision, the Disney amendment, which is brought before us by the Committee on Ways and Means, but which many Members contend should have come from the Committee on Banking and Currency. The amendment I propose to attach to this bill which is brought to us by the Committee on Ways and Means does cover a matter which is within the jurisdiction of the Committee on Ways and Means very directly and, if adopted, it would mean that Congress would be saying, "No, it is not possible to reduce salaries as they were on the date of Pearl Harbor, but we will adopt a tax program affecting incomes not only from salaries

but from other sources which will recapture the greatest portion of those incomes in excess of \$25,000 net after taxes and thus make certain that nobody gets rich out of the war."

The CHAIRMAN (Mr. Woodrum of Virginia). The Chair is prepared to rule.

Section 4 of the bill, the so-called Disney amendment, is in relation to the limitation on salaries contained in the Price Stabilization Act. The amendment offered by the gentleman from California [Mr. GEARHART] and the substitute offered by the gentleman from Virginia, [Mr. SMITH] also refer strictly to the matter of salary limitations. The amendment offered by the gentleman from California is a taxing amendment which undertakes to set up rates and schedules for the purpose of raising revenue. It is clearly not germane to the substitute amendment to which it is offered. The Chair sustains the point of order.

Mr. O'CONNOR. Mr. Chairman, I move to strike out the last word, and ask unanimous consent that I be permitted to proceed for 3 minutes additional.

The CHAIRMAN. Is there objection?

Mr. THOMAS of New Jersey. Mr. Chairman, I object.

Mr. O'CONNOR. Mr. Chairman, it seems to me that inasmuch as this country is engaged in the most serious war in the history of this world, that we are not doing very much today to help the Commander in Chief, to whom every man, woman, and child in this country is looking, to lead us to final victory. This bill should be stripped of every single word, except one sentence, or whatever sentences are required to raise the debt limit, and it should stop at that. Every argument that has been made during the general debate and under the 5-minute rule for the last 3 days for this Disney proposal should have been made against the original bill if we did not like it, which was passed on the 2d of October 1942, because in that bill the Congress passed the buck to the President of the United States and gave him blanket authority, if you please, to fix wages, to fix salaries, and prices, and we all voted for it. Now we are coming in here complaining about the authority we gave him, because he has exercised the authority you gave him. Where is the injustice that the President has heaped on the American people by making this order? Who has pointed it out? Under this very order the profits could have been added to the \$25,000-a-year salary; income from bonds, tax-exempt securities and investments could be added to it. Nobody is limited to \$25,000 a year under the order that the President made, and he could have made it differently if he wanted to. It was not an attempt to fix limitations on incomes. It was an attempt to fix salaries he thought either disproportionate or out of line with those of other people.

Section 1 of the original act gave the President the authority to stabilize prices, wages, and salaries affecting the cost of living as he viewed it and going on down in the paragraph, he could make such adjustments excepting as otherwise provided in the act with re-

spect to prices, wages, and salaries that he found necessary to aid in the effective prosecution of the war or correct gross inequities.

Section 4 of the act is a narrow limitation of his authority but does not affect his powers under the paragraph quoted in this respect.

You take the lid off salaries if you wish, and fix it so that you can have a salary beyond \$67,500 a year and then ask the miners in the coal mines who work under the surface of the earth to dig up coal for you, and ask the workers generally to restrain themselves and not to ask for a wage beyond what they are paid now, and when you do that, what are you going to say to them?

Will we control inflation effectively or at all by taking the lid off of salaries, letting them run hog wild up to as high as a million dollars a year and thereby causing an inducement calling for an increase in prices and wages all along the line? Are we going to make that answer to the laboring man and to the persons who want more than they are now receiving for their products and more wages than they are now being paid?

What reply can you make to the widows and children of those 74 miners who gave up their lives in a coal mine in Montana to get fuel out of the earth for you, whose bodies were not dug out for 4 days? Can we look the workers in the face and say that we voted to raise the lid on salaries so that men can get more than \$67,500 a year? If we do, we will start a repercussion which will be heard throughout all of this country. I have not always agreed with the President of the United States, and you know that, and everybody else knows it, but, on the other hand, my only son is in the Navy, and my neighbors' sons are in the Army, and your sons are in the Army, and they are all willing to give up their lives, and, by the gods, I, for one, am not going to do the thing that might destroy the very thing that we are trying to save, and, through it, this country.

Mr. RANKIN. Mr. Chairman, will the gentleman yield?

Mr. O'CONNOR. Yes.

Mr. RANKIN. It appeared here yesterday from what was said on the floor that one of these individuals that were referred to, draws a salary of \$900,000 a year.

Mr. O'CONNOR. Yes; and that is more than 10 times the salary that the President of the United States is drawing, who is trying to save us and save this country. What are we doing here? We are trying to undo something that everyone voted for in October 1942. The act passed on October 2, 1942, and you will agree with me that the power that issued this order is in the first paragraph, and is limited only in paragraphs 4 and 5 later in the bill.

Mr. BROOKS. Mr. Chairman, will the gentleman yield?

Mr. O'CONNOR. Yes.

Mr. BROOKS. Under the Smith amendment as I read it, if a salary is entirely out of line and existed on December 7, 1941, there would be no power

in the world to renegotiate that salary, or the war contract under which it is paid.

Mr. O'CONNOR. Yes; the gentleman is correct, and I say just this: Leave this bill stripped of everything but raising the debt limit.

The CHAIRMAN. The time of the gentleman from Montana has expired.

Mr. GAVIN. Mr. Chairman, I move to strike out the last four words.

Mr. Chairman, I have listened with a great deal of interest to the debate on the matter of salary limitation. Permit me to compliment the Committee on Ways and Means and the distinguished Members of both sides of the House for the splendid manner in which they have presented their various views on this proposed legislation for the consideration of the membership of Congress.

The discussions by the proponents and the opponents were particularly enlightening to us new Members of Congress and I am most grateful for having had the opportunity to listen to their very able presentations and I consider it an honor to serve with such devoted Americans. You all recall that fateful day when under the white flag of peaceful negotiations a yellow streak struck Uncle Sam below the belt and when the bombs burst over Hawaii their repercussions united our people. Today in America there is no north, there is no south, there is no east, there is no west. We are one and have inseparably dedicated ourselves to destroy forever totalitarianism, ruthless, aggressive dictatorship and damnable Japanese imperialistic treachery.

Americans stand shoulder to shoulder championing human rights and human liberties, and the world today looks to us to lead them out of this cataclysm of war. Upon us depends the destiny of civilization and we will not fail, and this is not going to be any easy war, and thousands of American boys in the springtime of their youth will pay for it with their lives.

The job is ours and we cannot delegate our responsibility. We must be prepared to pay the price in hardship, sacrifice, and suffering. We face the greatest crisis in our history but we shall meet this emergency just as we have met every other peril.

It will not be the Atlantic; it will not be the Pacific that will protect our sacred freedom but the determination of an aroused, united people working together, serving together, and fighting together. For what purpose are we fighting? To preserve what? We are fighting to preserve nothing other than our democratic way of life and constitutional form of government, and that is the question that is before the House.

This question should be decided without feeling, without personalities, without discrimination, without partisanship as to whether or not we are to live under a constitutional form of government or we are to be regimented and live by Executive order. The Congress of the United States representing 130,000,000 people have certain inalienable rights to determine and maintain. We must

have law and order and if we fail to respect laws then, no law is worth writing and no nation is secure, and these laws should be determined by the Congress and not by direct orders.

These boys of ours in Africa, Guadacanal, on the high seas, in the air, and under the sea, are fighting to maintain our constitutional form of government, and the Constitution of the United States is the only instrument in the world that guarantees life and liberty and the pursuit of happiness. The destiny of the United States is in our hands.

I am not interested in the question of remuneration. I want labor to be paid every dollar the corporation can stand and I want the man who creates the labor to be paid every dollar his brains and ingenuity entitles him to. That is not the matter involved here today. The matter involved is whether or not we, the Congress of the United States, shall write the laws or whether laws shall be written by Executive order, and as for me I have cast my lot with the Congress of the United States and beg of you as Americans that these constitutional rights and privileges we enjoy be recognized, respected, maintained, so that when we pass on we will pass on to posterity and the generation of tomorrow the same liberty, freedom, and government by the Constitution that was passed on to us, as Abraham Lincoln declared, A government of the people, by the people, and for the people.

Mr. DISNEY. Mr. Chairman, I would like to see if we cannot arrive at some agreement as to the time to be consumed. All of the amendments have been read and discussed except that the gentleman from Michigan [Mr. WOLCOTT] suggested that he would offer an amendment.

I ask unanimous consent that all debate on this section and all amendments thereto close at 3 o'clock and that I may be permitted to have 5 minutes to close the debate.

The CHAIRMAN. Is there objection to the request of the gentleman from Oklahoma?

Mr. MOTT. Mr. Chairman, reserving the right to object, I would like to inquire whether the gentleman from Michigan has offered his amendment?

Mr. RANKIN. Will the gentleman make it 1 hour and 15 minutes, so that time on points of order will not be taken out?

Mr. DISNEY. Mr. Chairman, I amend the request. I ask unanimous consent that all debate on this section and all amendments thereto close in 1½ hours and that I may be permitted to have 5 minutes to close the debate.

The CHAIRMAN. Is there objection to the request of the gentleman from Oklahoma?

Mr. WOLCOTT. Reserving the right to object, as I understand it, there can be only one amendment pending to the substitute amendment at any time?

The CHAIRMAN. The gentleman's amendment could be read for information. The gentleman would be recognized on it, or it could be offered after the so-called Smith amendment is disposed of.

Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

The CHAIRMAN. The gentleman from Oregon [Mr. MOTT] is recognized.

Mr. MOTT. Mr. Chairman, I rise in support of the Gearhart amendment. I want to discuss it calmly and dispassionately and see if we cannot get back to the fundamental issue involved in this controversy.

Although I strongly favor the Gearhart amendment, I want to say frankly at the outset that if the Gearhart amendment should not be adopted, I shall be reluctantly obliged to vote for the Disney amendment, which, although it is unsatisfactory in a number of respects, is, in my opinion, the next best solution of the problem which confronts us. I do not believe the Disney proposal directly disposes of the issue which is here before us. It does, however, at least, make an effort to correct an intolerable situation which has been brought about by the fact that the Chief Executive, without any authority of law, has made an order limiting salaries, which order, he claims, has the force and effect of law.

Now, it does not make any difference whether that salary limitation made by Executive order was \$25,000, or \$5,000, or \$500. The fact is, simply, that the President, without authority of law, invaded the jurisdiction of the Congress and made an order limiting salaries to a specific monetary amount. The viciousness of the order is not that it limited salaries to \$25,000, but that the President had no legal power to make that order at all. He simply usurped that power, which the Constitution vests exclusively in the Congress. The Disney proposal undertakes at least partly to correct this situation, and to that extent, of course, it is better than no legislation at all.

But, Mr. Chairman, I support the Gearhart amendment, and I plead for its adoption, because it is the only amendment before the House which directly raises the real issue involved here and which presents to the House the direct question whether the Congress of the United States intends to tolerate the continuance of an Executive order made without authority of law. When we have decided that issue, then we have done our whole duty here, because every other issue which has been raised in this debate is superfluous and beside the point.

In my humble opinion, the question of the merit of a \$25,000 limitation on salaries is not involved in this discussion. The question whether salaries ought to be regulated to any extent beyond that now provided by law is not involved. The only question involved here and that is the one brought out by the Gearhart amendment, is whether the people of the United States, through their representatives in Congress intend to allow the President to make an order having the force and effect of law without first having given him authority for that purpose.

Now here is the situation, which confronts us, and it is a very simple one: Under the amended Price Control Act of 1942, which is sometimes called the Anti-inflation Act, the Congress gave to the

President of the United States authority to stabilize prices, wages, and salaries, under certain prescribed conditions and limitations. It gave him that prescribed limited authority, and it set out in the law itself the formula which he should follow in stabilizing prices, wages, and salaries. If you will look at section 1 of the amended Price Control Act of 1942 you will find the general authority which was given to the President. It reads as follows:

The President may, except as otherwise provided in this act, provide for making adjustments with respect to prices, wages, and salaries to the extent that he finds them necessary, to aid in the prosecution of the war—

And so forth. That, mark you, is the general authority which the President was given, and under the language of this provision the President could exercise it "except as otherwise provided in this act."

Now, here is the limitation to this general authority. It is found under section 4 of the act, and this is the language of the limitation which the Congress placed on the President's power to stabilize wages and salaries:

No action shall be taken under authority of this act with respect to wages or salaries which (1) is inconsistent with the provisions of the Fair Labor Standards Act of 1938 as amended, or the National Labor Relations Act, or (2) for the purpose of reducing the wages or salaries of any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942.

Certainly the language of that limitation of authority, and I refer now to the language of subdivision (2), is clear, unambiguous, and unequivocal. But what did the President do? In respect to the stabilization of prices of commodities in making his orders the President followed the direction of the Congress. In respect to the stabilization of wages he likewise followed the direction and authority and the limitation placed on him by this act of the Congress. But, when it came to stabilizing salaries, he went entirely outside of any authority given him under this act; he completely ignored the specific limitations of the act, and he simply provided by Presidential order, without any authority of law whatever, that no salary, after taxes, should be higher than \$25,000. And that, Mr. Chairman, was a plain, deliberate, and unconstitutional usurpation of legislative power—a power which the Constitution has vested exclusively in the Congress.

The CHAIRMAN. The time of the gentleman from Oregon has expired.

Mr. MOTT. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes.

The CHAIRMAN. The Chair will state that the time has been fixed. There are 16 Members who have requested time. However, the gentleman asks unanimous consent to proceed for 3 additional minutes. Is there objection?

There was no objection.

Mr. MOTT. I thank you.

Now, what does the Gearhart amendment provide? The gentleman from Virginia [Mr. SMITH] observed that the

Gearhart amendment was full of verbiage. I am going to read it and try to omit that verbiage, if it is verbiage, which I do not think it is—so here, then, is what the Gearhart amendment provides. This is the language:

No provision of law heretofore enacted shall be held or considered to authorize a limitation in terms of a stated amount of money to be paid to any individual as compensation for personal services.

That part of the amendment makes clear the fact that no law authorizes the President, in stabilizing wages and salaries, to name an amount in dollars and cents beyond which an individual may not be paid for his services, and compels the President, in stabilizing wages and salaries, to follow the formula and the limitations prescribed by existing law.

The amendment then provides that any order or regulation limiting wages and salaries by fixing a maximum amount in dollars and cents shall be null and void from the date of the issuance of such order or regulation.

The amendment then goes on to say that "this section shall not prevent the stabilization of wages and salaries on the basis of levels which existed on any stated date between January 1, 1942, and September 15, 1942." That is to say, the President may still stabilize salaries and wages in the manner provided by sections 1 and 4 of the amended Price Control Act of 1942, which is the current statutory law on the subject of price, wage, and salary stabilization, but that he may not go outside the law in making his stabilization orders.

Mr. ROBERTSON. Mr. Chairman, will the gentleman yield?

Mr. MOTT. Not now, please.

In other words, Mr. Chairman, the Gearhart amendment cancels the Presidential order, which was made without authority of law, and limits the authority of the President, with respect to the stabilization of prices, of wages and salaries, to the specific authority given him under the Price Control Act of 1942. That is all it does. That is all that the legislation before us at this particular time should do. If in the opinion of the Congress the time has now come when wages and salaries should be stabilized in a manner different than that provided under existing law, then, of course, the Congress has the right to act and it should act. In the meantime the Gearhart amendment says that the President shall not fix wages and salaries except by authority of law and that where he has acted in this regard without authority of law, then the President's orders are null and void from the date of their issuance. This is the only way, in my opinion, by which the Congress can recapture the legislative authority which the President has usurped, and the only way by which it can prevent him from usurping further legislative jurisdiction in the future. I hope, therefore, that the House will support the Gearhart amendment.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WOLCOTT. Mr. Chairman, I have sent to the Clerk's desk a substitute for the Gearhart amendment, which I understand will not be in order until

the so-called Smith amendment is disposed of.

The CHAIRMAN. Without objection, the amendment will be read for information.

There was no objection.

The Clerk read as follows:

Substitute amendment offered by Mr. Wolcott for the Gearhart amendment: On page 3, line 8, strike out section 4, and insert the following:

"That (a) of section 4 of the act approved October 2, 1942, entitled 'An act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation and for other purposes' (Public Law 729, of the 77th Cong.), is hereby amended to read as follows:

"Sec. 4. No action shall be taken under authority of this act with respect to wages and salaries, (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act, or (2) for the purpose of reducing wages or salaries for any particular work below the highest wages and salaries paid therefor between January 1, 1942, and September 15, 1942.

"(b) (1) Section 7 of title II, and all other provisions of Executive Order No. 9250, 'providing for the stabilization of national economy' issued October 3, 1942, which are in conflict with this section are hereby repealed.

"(2) All orders, regulations, and other directives promulgated by virtue of the aforementioned Executive order in respect to decreases or limitation of salaries or wages are hereby repealed."

The CHAIRMAN. The gentleman from Michigan is recognized.

Mr. ROBERTSON. Mr. Chairman, will the gentleman permit me to propound an inquiry for him to discuss while he proceeds?

Mr. WOLCOTT. I yield to the gentleman.

The CHAIRMAN. The gentleman from Virginia will state his parliamentary inquiry.

Mr. ROBERTSON. Does the amendment mean that all salary increases for the first 8½ months of the war shall be frozen and not thereafter challenged?

Mr. WOLCOTT. Mr. Chairman, we have discussed the Disney amendment and the objections to it. I have pointed out my objections to the Smith amendment. I want now to discuss the Gearhart amendment.

I believe the gentleman from California and I attempt to accomplish the same thing but in slightly different ways. It is, however, so clearly apparent that we have got to make the intent of Congress clear and unmistakable in view of what has gone before that the most direct method of approaching this very fundamental question is by the amendment which I have offered. The Gearhart amendment provides for the stabilization of wages and salaries on the basis of levels which existed on a given date between January 1, 1942, and September 15, 1942. In existing law we have told the President that he could stabilize prices, wages, and salaries upon the basis which existed on September 15, 1942; but we have said further to him that in adjusting these salaries and wages he shall not set a salary or wage below the highest wage paid between January 1, 1942, and September 15, 1942. That is a mandatory standard which he is bound

to follow and would have to follow were it not for the language which allegedly gives him the authority to reduce them or increase them provided he finds that in any case, in the language of the statute, there is a gross inequity. The proviso states that in any case where he finds a gross inequity and also finds it necessary to aid in the effective prosecution of the war he may adjust these salaries downward or upward. I stress the words of the proviso, "in any case." It is beyond imagination that the President could lump together all salaries over \$25,000 and designate them collectively as a single case, which he did. That is the only issue involved in this seemingly very complicated legislation. He has misinterpreted the phrase "gross inequity." He set a limit directly contrary to the clear intent of the Congress, as has been explained during the last 2 days of debate.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. WOLCOTT. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. WOLCOTT. Mr. Chairman, I raise the issue clearly in my amendment. Last October we established the same basis as is provided by the amendment I have offered, the same mandatory standard; we leave it right there. We stabilize all wages and salaries as of the same certain time.

Now, in answer to the question of the gentleman from Virginia: We do not freeze the salaries anywhere. We say that they shall not go below a certain standard. We provide that the President—and I believe he has designated the War Labor Board for this purpose—might entertain applications for the increase of salaries. Anyone who is aggrieved by these limitations may petition the President and the President may refer the question to the War Labor Board and the War Labor Board will determine in its judgment whether the salary shall be increased; but we do say that these salaries and wages shall not be reduced below a certain level.

If we adopt the Smith amendment, as I have explained, we would set up a new standard than that enacted last October, the one under which business has been working. The most direct method of approaching this is to adopt the substitute I have offered, and in order to do so it is necessary to defeat the Smith proposal.

The CHAIRMAN. The time of the gentleman from Michigan has again expired.

Mr. ROBERTSON. Mr. Chairman, I ask unanimous consent that the gentleman from Michigan may proceed for 30 seconds in order that I may ask him a question.

The CHAIRMAN. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. ROBERTSON. Does not the gentleman believe that all increases above \$67,200 have been made in war industries

out of war moneys between January 1, 1942, and September 15, 1942?

Mr. WOLCOTT. That might have been a very important issue last October when we passed the Stabilization Act. I am not interested in any particular salary or wage as much as I am interested in the fundamental question of whether Congress will write these laws or bureaucrats will write them.

The CHAIRMAN. The time of the gentleman from Michigan has again expired.

The Chair recognizes the gentleman from Wisconsin [Mr. WASIELEWSKI] for 4 minutes.

Mr. WASIELEWSKI. Mr. Chairman, I am firmly and decidedly opposed to the creation of war millionaires. I believe that the Disney amendment, with the aid of the many other existing controls, can prevent the making of profiteers from war. Under our present tax laws, Congress has made the amassing of profits from war practically impossible. For example, the rates on personal incomes in excess of \$200,000 under the 1942 act are fixed at 88 percent and 5 percent Victory tax—with a ceiling of 90 percent. In addition to that there are the State and local taxes. The current levy imposes extremely high excess-profits taxes on corporations, with the avowed purpose of preventing the accumulation of swollen corporate gains and in turn effectively prevents excessive personal profits. I am informed that in the preparation of the 1942 tax, the suggestion was made in the committee to adopt an excess-profits tax for individuals similar to the one now in existence for corporations. Such a levy would tax a larger proportion of unusual incomes than customary incomes. That would really be attacking the problem of the excess due to the war. The Treasury, however, held that this sort of taxation would offer too many practical difficulties to be effective. I believe that it might be desirable to give this matter further study. Under the Renegotiations of Contracts Act passed last year a further control of excessive corporate profits and in turn personal profits has been effectively exercised. Various war agencies as well as the Treasury Department have a wide latitude under this law to renegotiate contracts made with the Government for war purposes. This authority even extends to subcontracts made by every contractor. If these departments exercise reasonable diligence under the Renegotiations Act there can be no growth of war millionaires. Under this act the departments can consider and adjust the reasonableness of salaries, the amount of reserves that should be permitted corporations, and the ratio of individual contract profits to peace contract profits. The Treasury Department has further control and vast power in the matter of deductions for business expenses, which include salaries, and has the power to exclude unreasonable salaries or salary increases. This power has been steadily exercised by the Treasury.

The Disney amendment will be another provision of law, which together with those mentioned above, will help avoid excessive profits in World War No. 2, because the amendment has the effect of

freezing salaries at the pre-war, peacetime levels. A 100-percent tax levy, as provided in the Executive order regarding salaries, has been repeatedly interpreted by our courts as confiscation. The Disney amendment does not confiscate or liquidate incomes that were above \$25,000 before Pearl Harbor, but it brings under a ceiling the salaries that were below \$25,000 prior to that date. Salaries that have increased, whether below or above \$25,000 since Pearl Harbor undoubtedly resulted from war profits and should therefore be properly controlled.

To prevent the creation of war millionaires, I urge the adoption of the Disney amendment.

(Mr. WASIELEWSKI asked and was given permission to revise and extend his own remarks in the RECORD.)

The CHAIRMAN. The Chair recognizes the gentleman from Louisiana [Mr. BROOKS].

Mr. BROOKS. Mr. Chairman, there are some of us who are not entirely satisfied with any of the suggested amendments and who are not satisfied with section 4 as presented. My individual idea is that I am interested in taking the profits out of war. We had a sad experience after the last war. It is said that history repeats itself. I pray God it does not repeat itself in particular as to the scandals that rattled in this country immediately after the First World War.

I can recall 25 years ago, Mr. Chairman, when the soldiers—4,500,000 of them—left their camps, their garrisons, and their overseas fighting fronts to return to this country and to their homes. They were met at that time with some of the worst scandals that ever came to light in the history of the United States. They met—they organized into great patriotic groups throughout the United States, and in those meetings—I had the privilege of sitting in a great many of them—they spoke, they acted, and they resolved that this should not happen again and that this country should take the profits out of war.

We are again in a great struggle. We are raising an armed force of 11,000,000 men. We are sending those men to the 2 major fighting fronts of the world. They are going over there. We do not know how long they are going to be gone. They will come back some day because this war must end sooner or later. They are going to come back here and we are going to be face to face with the same problem as to whether or not we have done our bounden duty by them during their absence. We are going to have to look those men in the face—look them square in the eyes—and tell them that we have legislatively done everything possible to take these excessive profits out of war.

I am not convinced that the Disney amendment, and I am not convinced that these other amendments, go far enough to scale down these big salaries and take these profits out of war. I am going to vote and work so that when these men come back I can look them in the face and tell them that I have, by the grace of God, done the best I could to do away with these "profit patriots"

while they were fighting to defend this country and its institutions.

The CHAIRMAN. The time of the gentleman has expired.

The Chair recognizes the gentleman from Pennsylvania [Mr. WRIGHT].

Mr. WRIGHT. Mr. Chairman, I would like to point out a couple of inequities in the various amendments as I have read them and attempted to study them. I will refer first to the Disney amendment in the original bill.

Several times during this debate it has been pointed out that the proposed bill works an inequity in favor of salaried employees in that it removes the ceiling on salaries less than \$25,000 net after payment of taxes, while the income of both labor and farmers is kept stationary. This is a serious defect of the bill under consideration and one which is bound to make these two classes of citizens discontented with the restrictions placed upon their income.

I wish to point out another inequity which has been alluded to by several of the Members, but not discussed at length. The gentleman from Oklahoma [Mr. DISNEY] has stated that salaries could rise no higher than \$67,200. The bill does not say this, but uses the figure of \$25,000 net. The amount of \$67,200 is calculated upon the basis of the 1942 income tax. Before long, a new tax bill will be presented to the House and passed, either with or without amendment. Presumably, this tax bill will change the rate of taxation. If the change is upward, salaries may be raised above the figure of \$67,200 to a ceiling which, after payment of taxes, will leave a salaried employee \$25,000 net. In other words, no matter how much his taxes are increased, his salary remains the same. This is not so as to wages and farm prices. An increase of taxes causes a decrease in net income except in this favored salary class which the present bill would create. As the gentleman from Michigan correctly stated yesterday, if the rate of income tax should be 90 percent, which rate, of course, is extreme and only used for the purpose of discussion, the ceiling on salaries would not be \$67,200 but \$250,000.

Mr. Chairman, just a word now as to the Smith amendment. The gentleman from Virginia attempted in addition to controlling inflation to give voice to what I consider important to the people of the United States and that is that there shall not be unreasonably swollen profits arise from this war. I do not think he accomplishes his object by the amendment which he has offered. If the Congress will remember, before we got into war we had quite an ambitious defense program and in addition Britain and France were buying extensively here. If a manufacturer were unfortunate enough not to get a war contract until we entered the war, he would be in a very poor position as compared to those people whose wages and whose income had been increased in the 2 years prior to the war by having contracts in our own national defense program and also by selling to England and France under lend-lease.

The CHAIRMAN. The time of the gentleman has expired.

The Chair recognizes the gentleman from Indiana [Mr. LaFOLLETTE].

Mr. LaFOLLETTE. Mr. Chairman, during the almost 2 days of debate at times we have lost track of the fundamental thinking in these two groups of thought, and it might be well for us to clarify some of the motivating things that have influenced our speaking.

Again, perhaps, during this debate some of us have been talking for the purpose of pleasing partisans rather than for the purpose of influencing others to our way of thought. I do not want to fall into that error.

My objection to the Disney amendment, and my support now of the Smith amendment, is due to the fact that I was left with a great dilemma to solve. I do not like law by Executive fiat. At the same time, it is clear that salaries are permitted to rise up to the limit specified in the Disney amendment and wages are not. We have to resolve ourselves between the question whether we think the issue of government by orderly processes is the most important thing or an equitable application of earnings is the most important thing.

I think the amendment offered by the gentleman from Virginia relieves for me, at least, that dilemma. I think he has attempted to and his amendment does put salaries on the same basis as wages. Therefore, I am left with only the question of whether or not we shall state that at least there must be an application of similarity to these problems. I am not even going to charge—because I do not think it is necessary, and I reserve my own opinion about that—that the President ignored the intent of the Congress. I am only resolving that question by the fact that he made an application of lowering salaries below the limits that were fixed in the bill at the time.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. LaFOLLETTE. I yield to the gentleman from Oklahoma.

Mr. DISNEY. After all, is that not the most important phase of this whole thing, whether or not the President overstepped or exceeded or violated the intent of the Congress? Are not all the other matters side issues?

Mr. LaFOLLETTE. If the Smith amendment is not adopted, and I should like to see it adopted, I have to resolve my thinking as the gentleman suggests, but I do not like to be presented with that dilemma. I am grateful to the gentleman from Virginia for relieving me of the dilemma by offering his amendment.

The CHAIRMAN. The Chair recognizes the gentleman from Louisiana [Mr. ALLEN].

(Mr. ALLEN of Louisiana asked and was given permission to revise and extend his remarks in the RECORD.)

Mr. ALLEN of Louisiana. Mr. Chairman, I rise in opposition to the Disney amendment and all other amendments which would have the effect of increasing salaries to exorbitant figures during this war. I am speaking here as an in-

dividual Member of Congress. The administration has done many things with which I am not in accord. In the few minutes that I have, there is not time enough to discuss all phases of the pending amendments.

These amendments, and especially the Disney amendment, have been discussed here fully for 2 days. Ninety percent of what has been said in support of the amendments has been a discussion of the legal phase of the matter. Some contend that the President did not have the authority to issue his Executive order limiting big salaries during the war. Congress passed an act last year and the act speaks for itself. I do not have the time now to go into that. I do not mind saying, however, that I had rather see Congress pass a specific act to limit exorbitant salaries during war, and perhaps the best plan is to do that by taxation, but the President has acted to reduce salaries during war. We are therefore discussing a fact and we are called upon to pass upon all these questions in the light of what has been done, and not in the light of legal differences of opinion.

I propose, in the few moments at my disposal, to discuss the question of whether or not it is right to limit exorbitant salaries during war and to further discuss the effects of the pending amendments. Almost nothing during the 2 days debate has been said on this first angle of the question. Therefore, I pose the question, Mr. Chairman, whether it is right and proper to put any limits on big salaries during war. If that question is resolved in the affirmative, then I do not see how anyone can vote for the Disney and other pending amendments which would have the effect of raising these salaries to most exorbitant figures. All of the amendments proposed to strike down the salary limitation order of the President are nothing short of an effort to raise salaries of those who have had their salaries reduced by the Executive order of the President. The President's order simply provided that all salaries be reduced to a net sum of \$25,000, after the payment of all income taxes. This means that one would have to draw a salary of \$67,200 in order to have \$25,000 left when he gets through paying his income taxes. The amendments now before us propose to strike down that Executive order of the President and to permit those huge salaries to be restored. Yea; even some of the amendments would even lift all barriers to salaries which would enable corporations with huge war contracts to pay a salary of a million dollars or more to one man. These huge salaries, in time of war, permit the moguls of industry to spend winters in the resorts of Florida and elsewhere while our men are dying in Africa, the Pacific, and elsewhere for less than \$100 per month. Argue all you want to, pace up and down the well of this House all you will, wave your arms in pretended righteous indignation at the effort of the President to limit salaries, strip this question to the cold realities and it simply becomes a move to raise the salaries of the big industrial executives of this country at a time when

everybody else is called upon to economize and save.

For years and years we have heard the American Legion and other patriotic organizations and individuals ask that the profits be taken out of war. I have always loyally supported that view. Congress has passed laws to accomplish that. Now, when the very first effort is made to cut down these great salaries, the hue and cry is raised against it. All of these amendments designed to strike the salary limitation order will increase war profits, the very thing that we have sought to prevent. War profit is war profit, whether paid in huge dividends or huge salaries. How can anybody who really wants to take the profits out of war come in here and support these amendments which will open the floodgates of salaries and permit individual salaries to the tune of a million dollars or more?

Mr. Chairman, over and over in this debate we have heard those who oppose a limitation in salaries during war contend that they had a mandate from the people. Let us examine that statement. Let us see what mandate they received and from whom they received it, and how they are answering that mandate.

Assuming that salaries were reduced in line with the Executive order, the amendments to strike down the salary limitation order so roundly supported by the gentlemen on the left and some gentlemen on the right, would raise the salary of the president of Willys-Overland Motors, Inc., to \$103,000; would raise the salary of the president of the Allied Chemical & Dye Corporation to \$125,000; would raise the salary of the president of the American Tobacco Co. to \$288,000, and two vice presidents to \$150,000 each; would raise the salary of the president of Bethlehem Steel Corporation to \$537,000, and of two directors to \$197,000, and two other directors to \$155,000; would raise the salary of the president of Nash-Kelvinator Co. to \$225,000, and of two vice presidents to \$125,000 and \$107,000, respectively; would raise the salary of the president of the Celotex Corporation to \$193,000; would raise the salary of three officials of the Union Carbide & Carbon Corporation to \$150,000 each; and the president of the United States Steel Corporation to \$156,000; would raise the salary of the chairman of the board of Westinghouse Electric to \$190,000.

These salaries, and hundreds of others like them, would be raised from the presumptive figure of \$67,200 to the exorbitant figures which I have just recited, and under some of the amendments might go even higher. Do you gentlemen on the left have a mandate from the people to go into a salary-raising spree like that? Were you sent here to take care of the big corporations; to take care of the boys who sit up in the air-conditioned offices to the tune of half-a-million-dollar salaries? No; you did not get a mandate from the people to raise these salaries. You did not get an order from the fathers and mothers of the boys dying in the foxholes to let men at home draw a million dollars a year in salary. If you think that was your man-

date, you have a rude awakening coming. I think you had a mandate all right, but you listened to the wrong voice. From whence came your mandate? What is behind the great desire to see this salary limitation order wiped out? Why the hue and cry here to do away with the order to limit salaries of these high moguls of industry? Is it possible that theirs were the voices you heard? Can it be that Wall Street and the industrial barons have sent the word down the line that war or no war their fabulous salaries had to be restored. Is "Esau's hand" behind this?

And with whose money do you propose to raise these salaries from \$100,000 up to \$500,000, and even more? Everybody knows that these great industrial concerns are operating with Federal contracts, using tax money.

Do you want to set in motion the stream of unrestrained inflation? Is it fair to fix the wages of laborers, to fix prices of commodities, and at the same time let salaries run to hundreds and hundreds of thousands of dollars to one individual? Can anyone here justify that? Let me remind you that when you vote for the Disney amendment or these other amendments having the same effect that you lay yourselves liable for all the criticism that may come as a result of unrestrained inflation, and you will bring down upon your heads the righteous wrath of an outraged America. You are sticking your necks out dangerously toward inflation.

Ladies and gentlemen of the House, let us not forget that we are waging war. The greatest obligation of every Member of this House is to strive to win the war as speedily as possible and to bring the American boys home. I hope I may be pardoned for a personal reference, but I speak as a father whose only two children are in the Army and overseas, one in Africa and one in England. I speak here in defense of the men in the armed services and in defense of the humble homes of America. What will the men think who are fighting and dying for less than a hundred dollars per month when they find that the American Congress voted to increase salaries of individuals up to a million dollars or more back home? What will the fathers and mothers and wives living on an allotment of a few dollars think about your action in voting for million-dollar salaries? These are questions which will confront you. You might as well think about them now. There are some things that you cannot laugh off and this is one of them. There is no answer. I urge you in this solemn time to oppose all of these amendments having the effect of reestablishing fabulous salaries during this war. Let the world know that you intend to stand by our soldiers. Let us say today by our votes that men shall not profit out of the sacred blood which they are spilling in defense of America.

Mr. CASE. Mr. Chairman, will the gentleman yield?

Mr. ALLEN of Louisiana. I am sorry, I do not have time to yield. I am speaking for the people.

[Mr. DITTER addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. GIFFORD. Mr. Chairman, "Elo-cution should not be wasted on impossible solution." But I will inject myself into this debate as I think possibly I may say something simple enough to be understood. Certainly at this time we can reach no solution of the proper limitations of salaries of employees outside the Government.

I regret these personalities as they divert proper consideration of what is really before us.

This seems to be a place where we can "insult each other and call it repartee." But it does draw attention away from the real issue. There is really only one issue involved. Do we approve the usurpation by the President of our duties and prerogatives? I have received many letters recently in praise of the Congress in that we seem to have at last determined to recover and resume our functions so often surrendered to the Executive. I am a member of the Committee on Banking and Currency, and our legislation has been flouted by the Executive. It has been so certified by the chairman of our committee before the Rules Committee. There was nothing in the bill that we passed which we thought for a moment would give the President the extraordinary power he has assumed.

This is no time to attempt to settle the question of salary limitations. It needs long and careful consideration. If legislation were limited to salaries, people would simply incorporate themselves and receive only dividends. We must have entirely different legislation than is incorporated in this bill. The Gearhart amendment accomplishes the real purpose desired.

It simply reaffirms the powers already given the President. It repeals what has been improperly done. The President may stabilize salaries and wages at the point recited in the Price Control Act. The amendment of the gentleman from Michigan simply makes it clearer and couches it in better form. The Disney proposal has been offered as a compromise. He will allow all salaries to become as large as \$25,000. I approve of that.

He limits the higher salaries to pre-Pearl Harbor days. Much oratory has been spilled here about our boys in the Army.

There may be some boys in the Army who would write me, "Please do not vote to limit salaries. My father works for one of those men. Don't let my father lose his job." Many wealthy men live in my district, at least a part of each year, and employ many of our people. Why put those people out of jobs? They have boys in the service. I could talk about the hardships and the sacrifices of our soldier boys, but that is not very persuasive in considering this legislation. If I indulged in that subject, I fear that you would call me a demagog. Let us keep our feet on the ground in this matter. Perhaps we are very confused over the several amendments that have

been offered. They are somewhat confusing, but after all, they are rather simple. Let us keep in mind that the one and only issue at the moment is "Shall the Congress proceed to take back its functions which have been usurped by the Executive?" This is our first real test in this Congress. The people are watching us. Let us not fail them.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. REED of New York. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Is there objection? There was no objection.

Mr. REED of New York. Mr. Chairman, I feel that this House and the country, amidst all this confusion, should realize that the national debt has been growing very rapidly since 1933. I have prepared a history of the various debt extensions since this administration came into power, even extending the debt of dangerous proportions, long before the administration had any thought of spending any of the \$18,000,000,000 "boondoggling" money for national defense.

Mr. Chairman, during the First World War several so-called Liberty Loan Acts were passed authorizing specific amounts of borrowing upon the public credit.

The First Liberty Bond Act of April 24, 1917, authorized the Secretary of the Treasury to float bonds in the amount of \$5,000,000,000. Some \$2,000,000,000 had been offered for subscription when the Second Liberty Bond Act of September 24, 1917, was passed, raising the aggregate authorization to \$7,538,945,460. In addition, it authorized the issuance of \$4,000,000,000 of certificates of indebtedness, which could be outstanding at any time under a revolving authority.

Under the Third Liberty Bond Act, approved April 4, 1918, the bond authorization limit was increased to \$12,000,000,000, and the authority for issuing certificates of indebtedness was increased to \$8,000,000,000.

Under the Fourth Liberty Bond Act, approved July 9, 1918, the bond authorization limit was increased to \$20,000,000,000. The \$8,000,000,000 limit on certificates of indebtedness was not changed.

Under the Fifth or Victory Liberty Bond Act of March 3, 1919, the limit on certificates of indebtedness was increased to \$10,000,000,000, and a new authorization for the issuance of notes in the amount of \$7,000,000,000 was created. The \$20,000,000,000 bond limit was not changed.

As a result of the World War borrowing, the public debt reached a maximum of \$26,596,000,000 on August 31, 1919.

Under the act of November 23, 1921, the authority for issuance of Treasury notes was increased from \$7,000,000,000 to \$7,500,000,000. No increase in the outstanding debt was involved, since at that time the Republican administration was already engaged in reducing the national debt at the rate of \$1,000,000,000 a year while at the same time instituting tax reductions upon the people, which actually resulted in increased revenue to the Treasury.

Under the act of March 3, 1931, the authorized bond limit was increased to \$28,000,000,000.

Under the act of January 30, 1934, the authority for issuance of outstanding notes was increased from \$7,500,000,000 to \$10,000,000,000.

Under the act of 1935, a revolving authority to have outstanding at any one time \$25,000,000,000 of bonds was set up. At the same time, a revolving authority to have outstanding at any one time \$20,000,000,000 of certificates and notes was also created. This legislation in effect established the original \$45,000,000,000 debt limit.

The act of May 26, 1938, retained the \$45,000,000,000 limit, but provided that the total amount of bonds that could be outstanding should be increased to \$30,000,000,000, leaving \$15,000,000,000 as the limit on notes and certificates of indebtedness.

Under the act of July 20, 1939, the partition as between bonds, certificates, and notes was removed, leaving it up to the Secretary of the Treasury as to how much of the \$45,000,000,000 limit should be in each category of securities.

Under the act of June 25, 1940, a special authorization for \$4,000,000,000 of defense bonds was created, which could be used only to finance national defense expenditures. This was a revolving authority. In effect, it increased the total debt limit to \$49,000,000,000.

Under the act of February 19, 1941, the aggregate debt limit was increased to \$65,000,000,000.

Under the act of March 28, 1942, the debt limit was increased to \$125,000,000,000.

Under the pending bill, it would be increased to 210 billions, which is the estimated amount of debt that will be outstanding June 30, 1944.

The CHAIRMAN. The gentleman from North Carolina [Mr. FOLGER] is recognized.

Mr. FOLGER. Mr. Chairman, I rise in opposition to the amendments.

Mr. Chairman, there are three sections in this bill that are very important. The important thing is to raise the debt limit to conform to the necessities of our time, in view of the fact that we are at war and there is no present prospect of the cessation of hostilities.

Mr. Chairman, I am never going to confess a greater degree of ignorance than anybody else that I can think of, but I do say to you I am utterly at sea in regard to what is called the Disney proposal, or section 4 of this bill, and the amendments offered as substitutes or amendments to the substitutes.

I do not know what it is all about. I cannot understand what implication each one of these amendments carries with it, and I am unable altogether to vote on a proposition of such importance to this country as these amendments offer, including section 4 itself. I must vote at the opportune time to increase the debt limit to \$210,000,000,000, but I cannot vote for any of the amendments, and I propose to vote for the Cooper motion to strike out section 4. Let a salary-limit bill come independently for consideration in an orderly way.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

The Chair recognizes the gentleman from South Dakota [Mr. CASE].

Mr. CASE. Mr. Chairman, I want to call the attention of the committee to a point which I think has been overlooked, and that is that the phrase "or otherwise" as carried in the Disney amendment and also as carried in the Smith amendment might operate to impair the application of the renegotiation statute insofar as salaries are concerned. I do not say that on my own authority. I say that after I have consulted with the chief of the Settlement Division of the Army Price Adjustment Board, who is concerned on the subject, the question being whether the restrictions proposed for the Price Control Act apply to the Secretary of War and the Secretary of the Navy or merely to the President.

The report of the Committee on Ways and Means, which accompanies this bill, carries with it this sentence, on page 5:

The Renegotiation of Contracts Act, passed last year, is a further hedge against corporate profits, and in turn, personal profits.

It further states:

If these departments exercise reasonable diligence under the Renegotiation Act, there can be no possibility of a crop of war millionaires.

Under the terms of the Disney amendment, the use of the words "or otherwise," might operate to deny application of the renegotiation statute to salaries which had reached excessive or profiteering levels prior to December 1, 1941. If the famous \$39,000-a-month stenographer at the Jack & Heintz plant, for instance, was getting that much out of cost-plus naval contracts before December 7, 1941, the Disney proposal lets her go back to it and the Treasury and the Price Adjustment boards may be stripped of power to prevent it. The same, I fear, may be true of the Smith amendment, and consequently I expect to offer an amendment striking out the words "or otherwise" in the Smith amendment and the same with the original Disney provision in the bill if it comes to that.

I am obliged to the majority leader for the service he rendered the members of the Republican Party by calling attention to the fact that Republican platforms have called for severe limitation of wartime profits, salaries, and wages. I had expected to cite that passage from a Republican platform, myself. As the Republican candidate for Vice President in 1940 recently said: "We do not run wars to make millionaires" and there is no partisanship, there should be no partisanship, when it comes to curbing wartime profits.

The Renegotiation Act that was initiated by an amendment I offered to an appropriation bill last year was not proposed in a partisan fashion by me, nor was it accepted in a partisan fashion by the Members on my right or on my left. Members of the House last year voted to support the renegotiation statute without partisan politics entering into the question in any way. The

Army and the Navy and the Maritime Commission have all testified that that act has been of immense value. The testimony of the War Department has been that in 1 year it has saved over \$1,300,000,000 on war contracts. The testimony of the Navy is that it has saved something over \$800,000,000 on contracts by renegotiation. The head of the Maritime Commission, likewise, has testified to savings and said that it has been unquestionably of great aid in controlling costs in ship construction. So, I urge that you do not impair the operation of the renegotiation statute by any action here today.

The CHAIRMAN. The time of the gentleman has expired.

The Chair recognizes the gentleman from Mississippi [Mr. WHITTINGTON] for 4 minutes.

Mr. WHITTINGTON. Mr. Chairman, the issue is not without difficulty. The question is: Did the President of the United States under the Price Control Act of October 2, 1942, in which he was authorized and directed to stabilize salaries, wages, and prices, have the power and the authority to issue that part of his Executive order of October 3, 1942, limiting maximum salaries to \$25,000? I assert that neither the language of that act nor the intent of the Congress authorized the President to fix a maximum limitation. I regret that the Committee on Ways and Means did not bring in a bill presenting the issue squarely and separately. I am not inclined to send this bill back to that committee, because they have been considering it for 2 months. It is an important issue. It involves the prerogatives of the legislative and the executive branches of the Government. I will meet it squarely as the issue is presented. The Disney amendment proposes to meet it, but I object to that part which would authorize an increase in salaries, without increase in wages and prices.

The gentleman from California [Mr. GEARHART] offers a substitute for the Disney amendment and without an opportunity to study it critically, I would say with respect to his substitute, that he retains the very language, to wit, the language authorizing the stabilization of wages and salaries that the President has invoked, and that he might again invoke for a similar limitation.

With respect to the substitute of my good friend from Michigan, [Mr. WOLCOTT] I would say that while he repeals or voids that part of the Executive order limiting maximum salaries, his substitute repeals the provision in section 4 of the Act of October 2, 1942, authorizing the President to adjust wages and salaries. Such a repeal is not necessary to deny the President the authority to limit maximum salaries.

The concrete issue is whether or not the Executive is authorized to limit maximum salaries. The Smith amendment has but one objective. The Smith amendment simply states that there shall not be any authority in the Executive or any other executive agency to limit maximum salaries. The Price Control Act, with the stabilization of salaries, wages, and prices, remains as it is.

I can understand that it might be better in the minds of some Members to have inserted the phrase "between January 1, 1942, and September 15, 1942," rather than the date December 7, 1941. Permit me to say, however, that if there be any discrimination, it is a discrimination against those who receive salaries and not those who draw wages. There is a discrimination between January and September with respect to wages; wages in many industries were not raised between January 1, 1942, and September 15, 1942, but we had to fix a date and adopt a yardstick of some kind. For my part, I believe that more salaries were raised under war contracts and by war profiteers, according to information at my command, between January 1942 and September 1942, than had been raised up to December 7, 1941.

As I have stated my objection to the Disney amendment is that in preventing the Executive from fixing maximum salaries, his amendment discriminates against labor by authorizing unreasonable and unwarranted increases in salaries. It may be as contended, that the other provisions of the Price Control Act and the authority in the President to stabilize salaries will prevent unconscionable increases. It may be that the renegotiation of contracts will prevent the increases. I oppose, however, approving any language that might be invoked to justify unconscionable increases. Former statutes are repealed by later statutes. It may be argued that the authority to increase to a net income of \$25,000 supersedes legislation with respect to stabilization and renegotiation.

I believe the better course is to confine ourselves to the issue and to adopt an amendment that will in no uncertain terms do but one thing, and that is to render void that part of the Executive order limiting maximum salaries.

The question of graduated taxes and of increasing taxes in the high income brackets is not involved. As a matter of fact, the net incomes of those in the higher brackets, except where those incomes are from tax-exempt securities, no matter how high the salary, is rather negligible. We have reached the vanishing point in individual income taxes in the high brackets. If the net incomes in the high brackets should be further reduced, it is for Congress to determine what the reduction should be.

While I believe that the Disney amendment, the Gearhart substitute, and the Wolcott substitute are better than no legislation at all, in all the circumstances, to accomplish the clear-cut objective, I believe that the Smith substitute would best accomplish the purpose of those who deny that the Chief Executive is authorized and empowered to limit maximum salaries under the Price Control Act of 1942 or otherwise. The Smith amendment, moreover, is not confined to salary that the employee received on December 7, 1941. It covers the salary paid with respect to the particular work involved rather than the salary paid to any individual or special employee.

I trust that the Smith substitute will be adopted.

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

The Chair recognizes the gentleman from Mississippi [Mr. RANKIN].

Mr. RANKIN. Mr. Chairman, after listening to all the amendments and all the speeches pro and con, an innocent bystander might feel as confused as the old Negro did trying to run the path through the woods in a thunderstorm at night and praying to the Lord for less racket and more light.

This issue, reduced to its last analysis, is whether we are going to accept the Disney provision or accept the amendment offered by the distinguished gentleman from Tennessee [Mr. COOPER]. I rise to support the Cooper amendment.

I know it is being charged here that when you passed the price-fixing bill you did not give the President the right to regulate these salaries. I think you did. I can certainly wash my hands of that, because I did not vote for that bill, which was passed, as you know, before we entered the war. If I had my way that measure and certain labor laws and crop interference laws would be stripped from the statute books. The country would then get back to normal and we would have ample food production, and unity would return to the country within 30 days.

But we are confronted with a condition and not a theory.

I pointed out on the floor of this House 8 years ago, and I have the report here, that large holding companies were paying exorbitant salaries to certain of their high officials. One of them during the year the Hoover panic broke out, paid its president a salary of \$251,000. Within 2 years of that time they had raised it to \$276,000. The salaries of members of the board of directors went up the same way. We had a report here on yesterday of a man drawing a salary of \$900,000 a year. That is 90 times the salary paid to General MacArthur or General Eisenhower, or 12 times the salary of President Roosevelt.

If I had my way no man in America would ever draw a salary larger than that of the President of the United States. The \$67,200 limit you are trying to repeal is nine-tenths of the salary of the President of this Republic.

The highest intellectual positions on earth ought to be that of the Chief Justice of the Supreme Court of the United States. Two of the ablest men I have ever met in all my life are now on the Supreme Court; I refer to Chief Justice Stone and Associate Justice Roberts. I heard their debate, or opposing opinions, on the farm act when that case was decided. I have never heard anything in the Senate, the House, or anywhere else that surpassed it; yet you have a man in this country, as was shown on yesterday, drawing a salary of \$900,000, or 45 times as much as one of these great justices of the Supreme Court of the United States.

Because the President has carried out the law you passed and applied it to these high salary racketeers just the same as to the farmers and laborers you want to change the law and let them out, but leave it in effect as to the farmer. I

am not with you. I shall vote for the Cooper amendment, and if it is voted down, then I shall vote against the bill; and if it passes without the Cooper amendment I hope the President will veto it.

The CHAIRMAN. The time of the gentleman from Mississippi has expired. The Chair recognizes the gentleman from Oklahoma [Mr. MONRONEY].

(Mr. MONRONEY asked and was given permission to revise and extend his own remarks.)

Mr. MONRONEY. Mr. Chairman, there has been a great deal of discussion about all these various amendments pro and con and the House soon is going to determine which one is best.

I want to again plead for an understanding of the delicate situation the House is thrusting itself into in reference to inflation control. Of the amendments that are pending before us today, I like and care for none of them. But I believe the best ends of orderly legislation, and by that I mean protecting the reputation of this Congress, would be better served by the passage of the Cooper amendment at this time.

The leader of the Democratic side has explained the need for getting a simple and noncontroversial debt limitation bill passed at an early date. We could perhaps finish even this controversial bill here today. But you can tell from the amount of debate here in the House something of the length of debate and the degree of blood pressure will be when this bill, with its controversial rider, goes to the other side of the Capitol. While we debate this extra-controversial rider here and while it is debated on the other side we might exceed the debt limitation and in that way very seriously injure or destroy our war effort.

I further feel that the proper legislative procedure would be to adopt the Cooper amendment at this time and stay on the one subject that brings this bill to the House, namely, the raising of the debt limitation.

If we mix it up with riders, we make it impossible, if you please, for the President to follow the Constitution and have veto power over legislation. Simply, that is the reason for this sloppy legislative procedure. Thus we then are exceeding our legislative authority to almost the same degree that the Executive is exceeding his authority in assuming legislative rights in issuing orders that have the force and effect of law. I do not think there is any great need to rush in and repeal the \$25,000 limitation without knowing its effect upon inflation. I think such a measure must come in on its own merits and be debated whether the Congress wants a \$25,000 limitation or not; or whether we should have excessive war profits recaptured in the form of a tax bill or not.

Frankly, that is the reason that the \$25,000 issue was left out of the price-control bill by the Banking and Currency Committee. It was proposed in that committee. Many on the committee wisely said that if such a limitation was made it should be effected through taxation under the jurisdiction of the Ways

and Means Committee. It was almost the unanimous opinion that the only way it could be constitutionally provided was by tax. If the Ways and Means Committee does not want to accept the responsibility for bringing in a bill providing a limiting tax that would almost effect a \$25,000 limitation, let them bring it in without recommendation and let the House go on record yes or no whether we approve of such limitations in time of war.

Bear in mind that the American Legion soon after the soldiers came back from the trenches of Europe adopted a platform, and the very first platform that it adopted was that we should restrict war incomes, we should take the profits out of war and we should draft property and wealth. I believe the Democratic and Republican platforms in those years of peace likewise have been rather specific as to what steps should be taken. So I say to you Members today, there is no use rushing into this thing blindly and in a way not consistent with well-ordered legislative procedure.

The CHAIRMAN. The time of the gentleman has expired.

The Chair recognizes the gentleman from Illinois [Mr. DIRKSEN].

Mr. DIRKSEN. Mr. Chairman, when the celebrated salary-ceiling order was issued, it provoked a quantity of literature which contended promptly that it was un-American, that it destroyed incentive, that the President had no authority, that it was against the traditions of the country, and that it never should have been done.

It was contended with vigor that the salary ceiling did not affect inflation because of the comparatively small amount of money involved in salaries over \$67,200 per annum. That is probably correct.

The real issue involved in the controversy before us today is one between the Executive and Congress and relates entirely to the question of whether or not the Executive can by Executive order compel a course of action for which there is no statutory authority.

Now comes the gentleman from Oklahoma [Mr. DISNEY], not to change the authority upon which the President relied for that salary-limitation order, but rather to say that no action shall be taken thereunder. So he proposes now by legislative action to compel the President to interpret the sources of authority according to legislative mandate.

Stripped of surplusage, the proposal by the gentleman from Oklahoma [Mr. DISNEY] provides that no action shall be taken by the Executive which would have the effect of cutting salaries below that which prevailed on or before December 7, 1941, or which would hold other salaries from rising to the level of \$67,200. This proposal does not directly meet the issue of law versus Executive fiat. The original proviso on which the President relies still remains in the law. The proposal of the gentleman from Oklahoma [Mr. DISNEY] merely directs a specific interpretation of that proviso and in addition thereto it removes the lid from salaries while the lid on wages remains. To me this appears discriminatory and I find it hard in good conscience to jus-

tify such arguments, particularly so since it does not meet the real issue here involved.

Then comes the gentleman from California [Mr. GEARHART] to say also that no provision of law enacted heretofore shall be deemed the source of authority for imposing a salary ceiling, meanwhile leaving the controversial provision in the substitute law.

What the gentleman from California [Mr. GEARHART] says, in effect, is that no law now on the statute books shall be deemed to authorize a salary limitation. His amendment provides that any order issued under such alleged authority shall be null and void. Here again the original proviso on which the Executive rests, even though it is tenuous authority, remains in the original Emergency Price Control Act. He also directs the Chief Executive how to interpret the act. In addition thereto his amendment would change and modify the formula to permit stabilization at the lowest rather than the highest wage and salary basis as provided in the act of 1942.

Then comes the gentleman from Virginia [Mr. SMITH] with another amendment which seeks to change the salary relation as distinguished from the wage basis.

The amendment by the gentleman from Virginia [Mr. SMITH] also fails to deal with the source of authority which is the real issue in this controversy and, moreover, his amendment creates one standard for salaries and another standard for wages. I would find such a proposal difficult to defend in logic and in conscience. None of these, in my judgment, are acceptable solutions because they are not basic. I propose to vote against all of them, and I am going to vote for the Wolcott substitute. The reason I am going to vote for the Wolcott substitute is that he deals with the fundamental issue before us.

If this provision of law is not clear, if it is of doubtful authority for an Executive order, then why not either clarify it or take it out of the law entirely and say to the President: "If you want legislation for it, then submit a proposal to the Congress under which we can legislate salary ceilings in accordance with the desire to develop an equality of privilege," as has been indicated and, second, for the better prosecution of the war.

The Wolcott amendment deals squarely with the issue that was raised over the country when the Executive order stabilizing and establishing a salary ceiling was first announced. If that is the issue, then let us deal with it simply and directly. His amendment leaves the organizational set-up for stabilization, leaves unimpaired the operations of the National War Labor Board, leaves unimpaired the authority of an employer to reduce salaries if he so desires and goes to the heart of the authority on which the President relies for his action.

I think the President exceeded authority. The proviso in the law says that in the fixing of these ceilings, in the case of salaries particularly, he can correct gross inequities, and so forth, in any case—in my town, in your town, between one industry and another industry, be-

tween industries, and between individuals. The President did not do so. He made it part and parcel of the whole stabilization order. I do not want to disturb that stabilization program at the present time. I do believe, however, that the constitutional issue involved in the question before us must one day be resolved and if it is not done now, it must be done at a later time when similar situations arise.

Mr. CHAIRMAN, I think the gentleman from Michigan [Mr. WOLCOTT] has a direct and persuasive approach to the subject by repealing that proviso, but permitting all the stabilization machinery to remain intact and subsequently consider it and thereby resolve the fundamental issue that is before us, namely, the authority of the Executive to issue an order based on a doubtful provision of the statute versus the authority of Congress under the Constitution. I do not want to be diverted by any superficial considerations. I want to deal directly with the issue that is before us and that is why I propose to vote for the Wolcott substitute and against the rest of the proposals heretofore made.

Mr. MAY. Will the gentleman yield?

Mr. DIRKSEN. I yield to the gentleman from Kentucky.

Mr. MAY. What effect, if any, does the Wolcott amendment have on the existing Presidential order?

Mr. DIRKSEN. If the authority falls, then the Executive order falls, but you have to deal with the basic authority in every case.

Mr. CASE. Will the gentleman yield?

Mr. DIRKSEN. I yield to the gentleman from South Dakota.

Mr. CASE. Does the gentleman think that in any way the Disney provision hurts any constitutional provisions? It merely says that the President can act, but he can only act above a certain floor.

Mr. DIRKSEN. It still leaves the doubtful provision in the statute and does not meet the real issue.

Mr. VORYS of Ohio. Will the gentleman yield?

Mr. DIRKSEN. I yield to the gentleman from Ohio?

Mr. VORYS of Ohio. Does not the Wolcott amendment specifically rescind the Presidential order?

Mr. DIRKSEN. Yes; but it would also automatically rescind it if the authority is withdrawn, and that is the only provision of law on which they rely for that Executive order.

Once more let me reaffirm my position by stating that in my considered judgment the proposals offered by the gentleman from Oklahoma [Mr. DISNEY], the gentleman from California [Mr. GEARHART], and the gentleman from Virginia [Mr. SMITH] do not go to the heart of the fundamental controversy and deal with an effect rather than with a cause. In this respect the Wolcott amendment differs entirely from the above-named proposals, and for that reason I shall rest my case on the basis of that amendment.

The CHAIRMAN. The time of the gentleman has expired. The Chair re-

cognizes the gentleman from Arizona [Mr. MURDOCK].

Mr. MURDOCK. Mr. Chairman, I recall another name-calling contest, which happened many years ago, when I was a student. One bright and blase young fellow said to a gray-haired faculty man, whom he was quizzing, "You are a Socialist, aren't you?" The kindly old gentleman said, "Worse still, I am a Christian."

When I hear these terms bandied back and forth here, terms which I have not heard clearly defined, terms borrowed from Old World conflicts, when I hear one fellow shout at another that he is a Communist and another reply, "You are a Fascist," I should like to have somebody explain those terms. But that is not why I rose to speak.

I listened to my good friend from Louisiana who spoke here a moment ago as a father and for the boys in north Africa and wherever they be on the battle fronts of the world. I, too, want to speak for those boys. As a Congressman I have a right and also a paternal duty to speak for some of them.

When I think of the young people today, including my own, brought up in their formative years through the poverty of the great depression and now plunged into the hell of war, my anger rises at what we are about to do to them. What of their future—those who survive the whirlwind of hate? They are paying a price now to save civilization. How much more of the cost are we going to shove off onto them to pay in the long future?

Why did I introduce a bill, H. R. 7557 of the Seventy-sixth Congress, in October 1939? To try to prevent a crop of war millionaires growing up out of this most terrible of all wars. Why am I unwilling to lift the lid off of war incomes? Why am I unwilling to forgive the 1942 income taxes on individual war profits? Because of the very injustice and iniquity of it. Every dollar diverted from the Public Treasury through unreasonable war profits, or through tax evasion or legalized abatement of war taxes means just that much more tax burden compounded for our children and following generations to pay.

I have heard a good deal said here about an Executive order killing initiative by imposing salary limitations. Well, I know of some soldiers—at least two who are worth more than they are getting. We put a limitation on them. We took them out of paying jobs and started them in at \$21 a month, which in some cases was less than a tenth of what had been paid them. In time of war we do not stop to ask what a man's real ability is to earn money.

I call your attention to the fact that it was a war measure that we passed last year and which some are now trying to amend. I, too, favor free enterprise in America and the highest reaches any human being is able to attain financially, just as we say any boy can become President of the United States in attaining his highest goal politically. I want to preserve that opportunity. But in

time of war we must submit to many limitations, and I think the limitation on salaries is a wise one.

I deny that the President has usurped power in the Executive order being fought here and has exceeded the power given him in the original act. It is my understanding of the war-power legislation of the Seventy-seventh Congress that Congress intended to give the President full power to win this war. Let us raise the debt limit without any such amendment.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. SMITH].

Mr. SMITH of Ohio. Mr. Chairman, yesterday we were trying to find the source of this very controversial clause in the Price Control Act, which has caused so much anxiety and trouble to the Congress and the country.

I think I have found the answer. It was put into the price-control bill that was written by the secret group composed of some of the members of the Banking and Currency Committee. Whether other persons than those were present at that meeting we do not know. Reference to yesterday's debate will show something of the composition of that secret committee.

I hold here in my hand a carbon copy of the secret committee bill which was substituted for the Steagall price-control bill. Here is the clause to which I refer:

Provided, That the President may adjust wages or salaries to the extent that he finds necessary to correct gross inequities.

Both the Senate and conferees made changes in this clause, as explained by the gentleman from California [Mr. GEARHART], when he yesterday discussed his amendment.

Who it was that motivated the secret committee to write the clause into the price-control bill upon which the President relied for his authority to place the \$25,000 salary limitation, I do not know. But anyone familiar with the facts could hardly escape the conviction that the writing of that clause into the price-control bill was deliberate. Furthermore, why was this clause written so as to confuse its meaning, so as to make it possible to interpret its meaning as giving the President this power, or not to give it to him? Was that deliberate, too?

Let the Members of the House now consider what can happen when Members undertake to do in secret what has been done in the case of the last price-control bill. It is not likely all the members of that secret committee knew what was really back of the affair they were in, but it is most unlikely the leaders of it did not know what it was all about.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

The Chair will state that all gentlemen who requested recognition have been recognized and 5 minutes remain. The Chair recognizes the gentleman from Oklahoma [Mr. DISNEY].

Mr. DISNEY. Mr. Chairman, I was interested in the remarks of the gentleman from Mississippi [Mr. RANKIN]. He said he would not permit salaries over

the salary paid to the President of the United States. Who would you have do it? The President has no more authority to do it than the Queen of Sheba. We have not delegated it to him. When the Executive superimposes its judgment upon the law we pass then it is a nullity, and it is incumbent on the legislative department to so declare.

Now about Treasury control. No less a personage than the gentleman from Illinois [Mr. DEWEY], who addressed the House yesterday on this subject, inquired this morning, in the committee room, of the Treasury whether it had sufficient controls to handle this matter of minor salaries, and the answer was yes. We have the renegotiation law, we have the War Industries Control, and besides that we have immense taxes on high salaries.

Mr. Chairman, there is only one issue here, whether or not the power that rests with us may be exceeded by the Chief Executive, exceeded, I repeat, as I said yesterday, even to the extent of making your citizens criminals, making the conclusions of a department finally conclusive, and preventing any appeal to the courts. That is the system that destroys republics.

I have thought this subject over very, very carefully with reference to all these amendments, and I have come to the conclusion that we ought to meet this issue squarely. There is this one issue. This extraordinary power, unusual power, power not delegated to the President of the United States, must be taken back to the Congress. Therefore I hope every amendment will be voted down, including the Smith amendment.

Mr. Chairman, this stupendous issue is the age-old contest between Executive and legislative power—between the people's representatives and the people's rulers. All down Anglo-Saxon history it has been waged, and the people's representatives have always won. In instances where they failed the people, the people chose themselves new representatives, new guardians of the people's liberties. The ancient civilizations of the world in turn flourished, gradually declined and disintegrated, they broke upon the rock of centralized regal or executive power. Stalwart parliaments have preserved representative government during modern Anglo-Saxon history. The battle has not gone to the cunning, the entrenched and powerful, but to the strong willed, to the stout-hearted, to the valiant.

Mr. CASE rose.

The CHAIRMAN. For what purpose does the gentleman from South Dakota rise?

Mr. CASE. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. CASE to the Smith amendment: Strike out the words "or otherwise."

Mr. SMITH of Virginia. Mr. Chairman, I ask unanimous consent that the Smith amendment be again reported.

The CHAIRMAN. Without objection, the Clerk will again report the Smith amendment.

There was no objection.

The Clerk again reported the Smith amendment.

Mr. SMITH of Virginia. Mr. Chairman, will the Chair now state to the House the order in which the amendments will be voted on?

The CHAIRMAN. The parliamentary situation is as follows: The first vote will be taken on the amendment offered by the gentleman from South Dakota, to the substitute offered by the gentleman from Virginia [Mr. SMITH]. The question is on the amendment offered by the gentleman from South Dakota.

The amendment was rejected.

The CHAIRMAN. The question occurs now on the substitute offered by the gentleman from Virginia.

The question was taken; and on a division (demanded by Mr. SMITH of Virginia) there were—ayes 80, noes 173.

So the amendment to the substitute was rejected.

Mr. WOLCOTT. Mr. Chairman, I offer the following substitute for the Gearhart amendment, which I send to the desk.

The Clerk read as follows:

Substitute amendment offered by Mr. WOLCOTT to the Gearhart amendment: Page 3, line 8, strike out section 4 and insert the following:

"That (a) section 4 of the act approved October 2, 1942, entitled 'An act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes' (Public Law 729, 77th Cong.), is hereby amended to read as follows:

"Sec. 4. No action shall be taken under authority of this act with respect to wages or salaries (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act, or (2) for the purpose of reducing the wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942."

"(b) (1) Section 7 of title 2 and all other provisions of Executive Order No. 9250, 'Providing for the stabilization of the national economy,' issued October 3, 1942, which are in conflict with this section are hereby rescinded; and (2) all orders, regulations, or other directives promulgated by virtue of the aforementioned Executive order in respect to the decrease or limitation of salaries or wages are hereby rescinded."

Mr. GORE. Mr. Chairman, I make the point of order that the amendment is not germane. It covers subjects not contained in the bill. It goes to the control of wages and is an invalidation of Executive orders, it is much broader than the bill under consideration by the Committee of the Whole.

The CHAIRMAN. The amendment is offered as a substitute for the Gearhart amendment and the Gearhart amendment provides:

No provisions of law heretofore enacted shall be held and considered to authorize the limitation.

And so forth. It is all-inclusive and all-comprehensive in its provisions, and the Chair on reconsideration thinks that it is germane, and overrules the point of order.

Mr. GEARHART. Mr. Chairman, I ask unanimous consent that the Gearhart amendment be again reported.

The CHAIRMAN. Without objection, the Clerk will again report the Gearhart amendment.

There was no objection, and the Clerk again reported the Gearhart amendment.

The CHAIRMAN. The question is on the substitute offered by the gentleman from Michigan.

The question was taken; and on a division (demanded by Mr. WOLCOTT) there were—ayes 146, noes 187.

So the substitute was rejected.

The CHAIRMAN. The question recurs now on the amendment offered by the gentleman from California [Mr. GEARHART].

The question was taken; and on a division (demanded by Mr. GEARHART) there were—ayes 146, noes 190.

So the Gearhart amendment was rejected.

The CHAIRMAN. The question now is on the amendment offered by the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Chairman, I ask unanimous consent that the amendment be again reported.

The CHAIRMAN. Without objection, the Clerk will again report the Cooper amendment.

There was no objection, and the Clerk again reported the Cooper amendment.

The CHAIRMAN. The question is on agreeing to the amendment.

The question was taken; and on a division (demanded by Mr. COOPER) there were—ayes 150, noes 215.

Mr. COOPER. Mr. Chairman, on that I demand tellers.

Tellers were ordered, and the Chair appointed Mr. COOPER and Mr. DISNEY to act as tellers.

The Committee again divided; and the tellers reported—ayes 145, noes 212.

So the amendment was rejected.

Mr. CASE. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. CASE: Page 3, line 14, strike out the words "or otherwise", and in line 18, strike out the word "or", and in lines 19 and 20, strike out the following language:

"2. An amount which, after reduction by the Federal income taxes thereon would equal \$25,000."

The CHAIRMAN. The question is on the amendment offered by the gentleman from South Dakota.

The question was taken, and the amendment was rejected.

The CHAIRMAN. Under the rule, the Committee will rise.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WOODRUM of Virginia, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill H. R. 1780, and pursuant to House Resolution 149, he reported the bill back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. COOPER. Mr. Speaker, I offer a motion to recommit.

Mr. WOLCOTT. Mr. Speaker, I have a motion to recommit which is on the Clerk's desk.

The SPEAKER. Is the gentleman from Michigan opposed to the bill?

Mr. WOLCOTT. I am, Mr. Speaker.

The SPEAKER. The Chair thinks the minority has the right to offer the motion to recommit. The Clerk will report the motion of the gentleman from Michigan.

The Clerk read as follows:

Mr. WOLCOTT moves to recommit the bill, H. R. 1780, to the Committee on Ways and Means with instructions to report the same back to the House forthwith with an amendment striking out "\$210,000,000,000" in line 8 on page 1, and inserting in lieu thereof "\$200,000,000,000."

The SPEAKER. The question is on the motion offered by the gentleman from Michigan [Mr. WOLCOTT].

The question was taken; and on a division (demanded by Mr. COOPER) there were ayes 34 and noes 228.

Mr. McGRANERY. Mr. Speaker, I ask for tellers.

The SPEAKER. Two Members have arisen in support of the request for tellers; not a sufficient number.

Tellers were refused.

So the motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

Mr. COOPER. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 268, nays 129, answered "present" 1, not voting 36, as follows:

[Roll No. 24]

YEAS—268

Allen, Ill.	Church	Gearhart
Anderson, Calif.	Clason	Gerlach
Anderson,	Clevenger	Gifford
N. Mex.	Cole, Mo.	Gilchrist
Andersen,	Cole, N. Y.	Gillette
August H.	Colmer	Gillie
Andrews	Compton	Goodwin
Angell	Costello	Gordon
Arends	Cox	Gorski
Arnold	Cravens	Gossett
Auchincloss	Crawford	Graham
Baldwin, Md.	Cunningham	Grant, Ind.
Baldwin, N. Y.	Curley	Green
Barrett	Curtis	Gregory
Barry	Day	Griffiths
Bates, Ky.	Dewey	Gross
Bates, Mass.	Dies	Guyer
Beall	Disney	Gwynne
Bell	Ditter	Hale
Bender	Domengeaux	Hall
Bennett, Mich.	Dondero	Edwin Arthur
Bennett, Mo.	Doughton	Hall
Bishop	Douglas	Leonard W.
Blackney	Drewry	Halleck
Bland	Durham	Hancock
Bolton	Dworshak	Harness, Ind.
Boykin	Eaton	Harris, Va.
Brehm	Elliott	Hartley
Brown, Ga.	Ellis	Hébert
Brown, Ohio	Ellison, Md.	Heidinger
Buffett	Ellsworth	Hendricks
Bulwinkle	Elston, Ohio	Herter
Burch, Va.	Engel	Hess
Busbey	Englebright	Hill
Butler	Fellows	Hoeven
Camp	Fenton	Hoffman
Canfield	Fernandez	Holmes, Mass.
Cannon, Fla.	Fisher	Holmes, Wash.
Carlson, Kans.	Fulbright	Hope
Carlson, Ohio	Gale	Horan
Carter	Gallagher	Howell
Chapman	Gamble	Jeffrey
Chenoweth	Gathings	Jenkins
Chiperfield	Gavin	Jennings

Jensen	Mott	Smith, Ohio
Johnson,	Mruk	Smith, Va.
Anton J.	Murray, Wis.	Smith, W. Va.
Johnson, Ind.	Nichols	Smith, Wis.
Johnson,	Norman	Springer
J. Leroy	O'Brien, Ill.	Stanley
Johnson,	O'Brien, Mich.	Starnes, Ala.
Luther A.	O'Brien, N. Y.	Steagall
Johnson, Ward	O'Hara	Stearns, N. H.
Jones	Patton	Stefan
Jonkman	Peterson, Fla.	Stevenson
Judd	Phillips	Stewart
Kean	Phillips	Stockman
Kearney	Ploeser	Sullivan
Kee	Plumley	Sumner, Ill.
Keefe	Poage	Sundstrom
Kerr	Poulson	Taber
Kilburn	Powers	Talbot
Kilday	Pracht	Talle
Kinzer	Rabaut	Taylor
Knutson	Ramey	Thomas, N. J.
Kunkel	Randolph	Thomason
LaFollette	Reed, Ill.	Tibbott
Lambertson	Reed, N. Y.	Tolan
Landis	Rizley	Towe
Lane	Robertson	Treadway
Lanham	Robson, Ky.	Troutman
Lea	Rockwell	Van Zandt
LeCompte	Rodgers, Pa.	Vinson, Ga.
LeFevre	Rogers, Calif.	Vorys, Ohio
Lewis, Ohio	Rogers, Mass.	Vursell
Luce	Rohrbough	Wadsworth
Ludlow	Rolph	Walter
McCowan	Rowan	Wasielewski
McGehee	Rowe	Weichel, Ohio
McLean	Satterfield	West
McWilliams	Schiffier	Whitington
Maas	Schwabe	Wigglesworth
Manasco	Scott	Willey
Martin, Iowa	Shafer	Wilson
Martin, Mass.	Sheppard	Winstead
May	Sheridan	Wolfenden, Pa.
Marrow	Short	Wolverton, N. J.
Michener	Sikes	Woodruff, Mich.
Miller, Conn.	Simpson, Ill.	Woodrum, Va.
Miller, Mo.	Simpson, Pa.	Zimmerman
Miller, Pa.	Slaughter	
Monkiewicz	Smith, Maine	

NAYS—129

Abernethy	Gavagan	Monroney
Allen, La.	Gore	Mundt
Andersen,	Granger	Murdoch
H. Carl	Grant, Ala.	Murray, Tenn.
Barden	Hagen	Myers
Beckworth	Hare	Norrell
Bloom	Harris, Ark.	Norton
Bonner	Hart	O'Connor
Boren	Hays	O'Konski
Bradley, Pa.	Heffernan	O'Neal
Brooks	Hoch	Outland
Bryson	Hollifield	Pace
Burchill, N. Y.	Hull	Patman
Burdick	Izac	Peterson, Ga.
Burgin	Jackson	Pittenger
Cannon, Mo.	Johnson,	Price
Capozzoli	Calvin D.	Priest
Case	Johnson,	Rankin
Celler	Lyndon B.	Richards
Clark	Johnson, Okla.	Rivers
Coffee	Kefauver	Robinson, Utah
Cooley	Kelley	Russell
Cooper	Kennedy	Sabath
Courtney	Keogh	Sadowski
Creal	King	Sasser
Crosser	Klein	Sauthoff
Cullen	Larcade	Scanlon
D'Alesandro	Lemke	Snyder
Davis	Lesinski	Somers, N. Y.
Delaney	Lynch	Sparkman
Dickstein	McCord	Spence
Dilweg	McGranery	Tarver
Dirksen	McKenzie	Thomas, Tex.
Eberharter	McMillan	Vincent, Ky.
Elmer	McMurray	Voorhis, Calif.
Fay	Madden	Ward
Feighan	Magnuson	Weaver
Fitzpatrick	Mahon	Welch
Flannagan	Maloney	Wene
Fogarty	Mansfield,	White
Folger	Mont.	Wickersham
Forand	Marcantonio	Worley
Ford	Mason	Wright
Fulmer	Merritt	
Furlong	Mills	

ANSWERED "PRESENT"—1

Wolcott

NOT VOTING—36

Bradley, Mich.	Dawson	Hinshaw
Buckley	Dingell	Hobbs
Byrne	Fish	Jarman
Cochran	Gibson	Kirwan
Culkin	Harless, Ariz.	Kleberg

Lewis, Colo.	Murphy	Rees, Kans.
McCormack	Newsome	Schuetz
McGregor	O'Leary	Summers, Tex.
Mansfield, Tex.	O'Toole	Weiss
Miller, Nebr.	Pfeifer	Whelchel, Ga.
Morrison, La.	Ramspeck	Whitten
Morrison, N. C.	Reece, Tenn.	Winter

So the bill (H. R. 1780) was passed.

The Clerk announced the following pairs:

Mr. McGregor for, with Mr. Wolcott against.
Mr. Fish for, with Mr. Buckley against.
Mr. Rees of Kansas for, with Mr. Weiss against.

Mr. Schultz for, with Mr. Pfeifer against.

General pairs:

Mr. Byrne with Mr. Reece of Tennessee.
Mr. McCormack with Mr. Miller of Nebraska.

Mr. Murphy with Mr. Hinshaw.
Mr. Hobbs with Mr. Winter.
Mr. O'Toole with Mr. Culkin.
Mr. Ramspeck with Mr. Bradley of Michigan.

Mr. WOLCOTT. Mr. Speaker, I had a pair with the gentleman from Ohio, Mr. MCGREGOR. I voted "no." Had the gentleman from Ohio been present, he would have voted "aye." I therefore withdraw my vote of "no" and answer "present."

The result of the vote was announced as above recorded.

ORDER OF BUSINESS

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. MARTIN of Massachusetts. The gentleman from Massachusetts [Mr. McCORMACK] stated yesterday there was a possibility that on Monday there would be a motion to suspend the rules. I wonder if the gentleman could enlighten us as to just what that suspension will cover?

Mr. McCORMACK. I was unable to state definitely yesterday that there would be a motion to suspend the rules on Monday, although I expected there would be. On Monday the Speaker will recognize the gentleman from Virginia [Mr. BURCH] to move to suspend the rules and pass the bill H. R. 1366, a bill in relation to an increase in salaries of those in the Postal Service.

Mr. MARTIN of Massachusetts. Does the gentleman know whether there is any opposition to that bill?

Mr. McCORMACK. I do not know of any. I cannot conceive why there should be any opposition.

Mr. MARTIN of Massachusetts. I do not know of any either.

The SPEAKER. The time of the gentleman from Massachusetts [Mr. MARTIN] has expired.

EXTENSION OF REMARKS

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and insert an editorial concerning the late Senator Thomas J. Walsh, of Montana, appearing in The Yellowstone.

The SPEAKER. Is there objection?

There was no objection.

[The matter referred to appears in the Appendix.]

PERSONAL EXPLANATION

Mr. EBERHARTER. Mr. Speaker, my colleague the gentleman from Pennsylvania [Mr. Weiss] was present earlier today but received a telephone message that his father was critically ill. Therefore, he had to return home immediately. He asked me to inform the Speaker that had he been present he would have voted against the measure under consideration this afternoon.

EXTENSION OF REMARKS

Mr. WALTER. Mr. Speaker, I ask unanimous consent to extend my remarks and include therein an editorial from the Philadelphia Record of yesterday.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

Mr. MYERS. Mr. Speaker, I ask unanimous consent to extend my remarks and to include therein an editorial from the Philadelphia Record dated March 11, and also to extend my remarks and include therein an editorial from the Philadelphia Evening Bulletin dated March 11.

The SPEAKER. Is there objection?
There was no objection.

[The matters referred to appear in the Appendix.]

Mr. HAGEN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD concerning victory gardens, and to include an article from Week's magazine on victory gardens.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

(By unanimous consent, Mr. KING, Mr. LANE, and Mr. PRICE were granted permission to extend their own remarks in the RECORD.)

Mr. SIKES. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an editorial.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

WAR SHIPPING ADMINISTRATION

Mr. BLAND submitted the following conference report and statement on the bill (H. R. 133) to amend and clarify certain provisions of law relating to the functions of the War Shipping Administration and for other purposes:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 1.

That the House recede from its disagreement to the amendments of the Senate numbered 2, 3, 5, and 6; and agree to the same.

Amendment numbered 4: That the House recede from its disagreement to the amendment of the Senate numbered 4, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "Except as provided by Executive Order Numbered 9001-A, December 27, 1941, such a determination may be made by the Administrator, War Shipping Administration, with respect to any vessel title to which has been requisitioned pursuant to the Act of June 6, 1941 (Public Law 101, Seventy-seventh Congress), and which vessel thereafter has been lost or destroyed or converted to naval or military use by the United States, upon owner's consent and certification by the Secretary of State that understanding had been reached between the United States and the diplomatic representatives of the country of which the owner of such vessel was a national, that such title requisition instead of requisition for use was necessitated by the circumstances existing at the date of requisitioning, but that such vessel should be returned after the termination of the national emergency declared by the President on May 27, 1941"; and the Senate agree to the same.

S. O. BLAND,
ROBERT RAMSPECK,
J. J. MANSFIELD,
RICHARD J. WELCH,
JOSEPH J. O'BRIEN,
Managers on the part of the House.
JOSIAH W. BAILEY,
GEORGE L. RADCLIFFE,
CHAS. L. McNARY,
Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report as to each of such amendments, namely:

Amendment No. 1: This amendment prescribes limitations on the amounts of attorneys' fees in the prosecution and enforcement of claims and suits thereon against the War Shipping Administrator or any of his agents, on account of death, injury, illness, maintenance and cure, loss of effects, detention, or repatriation, wages, allotments, etc., on behalf of seamen (or their dependents) who are employees of the United States through the War Shipping Administration. The House bill contained no similar provision. The Senate recedes.

Amendment No. 2: Section 3 (b) of the House bill provides that the exercise of authority to convert requisition of title to a vessel into a requisition of the use thereof shall be carried out, in the case of a vessel owned by a citizen of the United States, only within 2 months after the delivery of the vessel under the original requisition of title, unless the owner consents to such conversion. Amendment No. 2 strikes out the reference to ownership of the vessel by citizens of the United States so that the provision as to the limitation on time of conversion without consent of the owner applies to any vessel whether domestic or foreign. The House recedes from its disagreement to this amendment.

Amendment No. 3: This amendment deletes the last sentence of section 3 (b) relating to the authority to convert title requisition to use requisition in cases where foreign vessels have been lost or destroyed or converted to military or naval use by the United States.

The House recedes on this amendment inasmuch as amendment No. 4, covering the same subject matter in more specific language, has been agreed upon in conference.

Amendment No. 4: This amendment in effect substituted for the sentence stricken by Senate amendment No. 3, a provision to the effect that, with respect to any vessel (except a vessel covered by Executive Order No. 9001-A) title to which was requisitioned under the Foreign Vessels Requisition Act of June 6, 1941, and which vessel thereafter was lost or destroyed or converted to military or naval use, the War Shipping Administrator may make a determination converting title requisition to use requisition, if the owner of the vessel consents and if the Secretary of State makes the required certification as to the diplomatic understanding concerning the requisition of the vessel. Such certification shall set forth that understanding had been reached between the United States and the diplomatic representatives of the country of which the owner of such vessel was a national, that title requisition of the vessel instead of requisition for use was necessitated by the circumstances existing at the time of requisitioning, but that such vessel should be returned after the termination of the national emergency declared by the President on May 27, 1941. The amendment thus requires before action may be taken under it, the loss, destruction, or conversion for Government use of the requisitioned foreign vessel, the consent of the owner to the action, a preexisting diplomatic understanding as to the conditions under which title requisition was resorted to rather than use requisition, and a certification by the Secretary of State that the understanding called for return of the requisitioned vessel after the termination of the unlimited national emergency. The representatives of the State Department have stated that the requirements can be met by the nationals of only one country whose vessels were put in service for the United States through title requisition.

The House recedes from its disagreement to the Senate amendment, with an amendment which transposes a clause in the amendment in the interest of grammatical clarity.

Amendment No. 5: Under section 224 (a) of the War Risk Insurance Act, as amended by section 3 (f) of the House bill, any Government agency may procure insurance from the War Shipping Administration as provided in section 222 of the War Risk Insurance Act (relating to war risk insurance on hulls, crews, and cargoes) and as provided in section 10 of the Merchant Marine Act, 1920, as amended (relating to marine insurance on vessels in which the Government has an interest). Amendment No. 5 would authorize any such agency to procure insurance from the War Shipping Administration as provided in section 229 of the War Risk Insurance Act, section 229 being added to such act by section 3 (l) of the House bill (relating to builders' risk insurance for persons performing services or providing facilities for vessels, such as repair). The conference agreement adopts the Senate amendment.

Amendment No. 6: This amendment makes more specific the scope of the term "public or private vessel" in section 229 of the War Risk Insurance Act (as amended by sec. 3 (i) of the House bill) by substituting for the term "public or private vessel" the words "American or foreign flag vessel, public or private, or any naval vessel of a foreign government." The House recedes.

S. O. BLAND,
ROBERT RAMSPECK,
J. J. MANSFIELD,
RICHARD J. WELCH,
JOSEPH J. O'BRIEN,
Managers on the part of the House.

Grand





78TH CONGRESS
1ST SESSION

H. R. 1780

IN THE SENATE OF THE UNITED STATES

MARCH 16 (legislative day, MARCH 9), 1943

Read twice and referred to the Committee on Finance

AN ACT

To increase the debt limit of the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the Public Debt Act of 1943.

4 SEC. 2. Section 21 of the Second Liberty Bond Act,
5 as amended, is further amended to read as follows:

6 “SEC. 21. The face amount of obligations issued under
7 the authority of this Act shall not exceed in the aggregate
8 \$210,000,000,000 outstanding at any one time.”

9 SEC. 3. Section 22 of the Second Liberty Bond Act, as
10 amended, is further amended by adding at the end thereof
11 the following subsections:

1 “(h) The Secretary of the Treasury, under such regula-
2 tions as he may prescribe, may authorize or permit payments
3 in connection with the redemption of savings bonds to be
4 made by incorporated banks and trust companies.

5 “(i) Any losses resulting from payments made in con-
6 nection with the redemption of savings bonds shall be re-
7 placed out of the fund established by the Government Losses
8 in Shipment Act, as amended, under such regulations as
9 may be prescribed by the Secretary of the Treasury. The
10 Treasurer of the United States, any Federal Reserve bank,
11 or any incorporated bank or trust company authorized or
12 permitted to make payments in connection with the redemp-
13 tion of such bonds, shall be relieved from liability to the
14 United States for such losses, upon a determination by the
15 Secretary of the Treasury that such losses resulted from no
16 fault or negligence on the part of the Treasurer, the Federal
17 Reserve bank, or the incorporated bank or trust company.
18 The Post Office Department or the Postal Service shall be
19 relieved from such liability upon a joint determination by the
20 Postmaster General and the Secretary of the Treasury that
21 such losses resulted from no fault or negligence on the part
22 of the Postal Office Department or the Postal Service. The
23 provisions of section 3 of the Government Losses in Ship-
24 ment Act, as amended, with respect to the finality of deci-
25 sions by the Secretary of the Treasury shall apply to the

1 determinations made pursuant to this subsection. All re-
2 coveries and repayments on account of such losses, as to
3 which replacement shall have been made out of the fund,
4 shall be credited to it and shall be available for the purposes
5 thereof. The Secretary of the Treasury shall include in his
6 annual report to the Congress a statement of all payments
7 made from the fund pursuant to this subsection."

8 SEC. 4. Effective as of October 2, 1942, section 5 of the
9 Act of October 2, 1942, entitled "An Act to amend the
10 Emergency Price Control Act of 1942, to aid in preventing
11 inflation, and for other purposes", is amended by adding
12 subsection (d) to section 5, as follows:

13 "(d) No action shall be taken under authorization of
14 this Act, or otherwise, which will limit the payment of annual
15 salaries to a maximum amount less than the greater of the
16 following:

17 "(1) The annual rate of salary paid to such employee
18 on December 7, 1941; or

19 "(2) An amount which after reduction by the Federal
20 income taxes thereon would equal \$25,000."

Passed the House of Representatives March 12, 1943.

Attest:

SOUTH TRIMBLE,

Clerk.

78TH CONGRESS
1ST Session

H. R. 1780

AN ACT

To increase the debt limit of the United States,
and for other purposes.

MARCH 16 (legislative day, MARCH 9), 1943

Read twice and referred to the Committee on Finance

PUBLIC DEBT ACT OF 1943

MARCH 19 (legislative day, MARCH 9), 1943.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 1780]

The Committee on Finance, to whom was referred the bill (H. R. 1780) to increase the debt limit of the United States, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

STATEMENT

The bill which was referred to the committee provided for increasing the limitation of the public debt from \$125,000,000,000 to \$210,000,000,000, and also authorized the Secretary of the Treasury to utilize incorporated banks and trust companies in connection with the redemption of United States Savings bonds.

These provisions are retained without change in the bill as reported, and the committee believes that they are necessary and in the public interest. The following excerpt from the report of the Committee on Ways and Means (H. Rept. No. 181, 78th Cong.) indicates the reasons for and the effect of these provisions:

In the President's message of January 6, 1943, transmitting the Budget for the fiscal year beginning July 1, 1943, the President stated as follows:

"By the end of the current fiscal year, the public debt will total \$135,000,000,000. By June 30, 1944, it will be about \$210,000,000,000 under existing revenue legislation. Before the present debt limit of \$125,000,000,000 is reached, the Congress will be requested to extend that limit."

In accordance with the President's message, the proposed bill provides for increasing the limitation of the public debt from the present limit of \$125,000,000,000 to \$210,000,000,000.

As of December 31, 1942, about \$14,000,000,000 of the present debt limit remained unobligated and within the next 60 days the Treasury will be obliged to initiate another intensive drive for funds to finance the war program. It is anticipated that the present borrowing authority will be insufficient to cover the necessary debt issues which will be required during the month of April, as it is estimated by the Treasury that the balance remaining as of March 31 will be about \$6,000,000,000.

The 1944 Budget submitted to Congress in January indicates that the deficit for the current fiscal year will amount to \$57,000,000,000 and, in addition, that the Treasury will be required to advance to governmental corporations approximately \$5,000,000,000 to finance their activities. On the basis of these estimates the public debt on June 30, 1943, will amount to \$134,800,000,000. The estimated deficit in the fiscal year beginning July 1, 1943, without taking into consideration any additional budgetary revenues from new taxation, will amount to \$71,000,000,000. The Treasury will also be required to raise \$1,700,000,000 for the governmental corporations. The estimated increase in the public debt for the fiscal year beginning July 1, 1943, based on these estimates, will thus be \$75,700,000,000 and leave a public debt on June 30, 1944, of \$210,500,000,000.

The proposed increase in the debt limit is the amount considered necessary to meet the present and anticipated requirements of the financial program through the next fiscal year.

The Acting Secretary of the Treasury, Mr. D. W. Bell, appeared before your committee and testified with respect to the proposed debt increase limit and also concerning proposed amendments to the Second Liberty Bond Act in connection with the redemption of United States Savings bonds.

The proposed bill would add two new subsections designated as (h) and (i) to section 22 of the Second Liberty Bond Act, as amended.

Subsection (h) would give to the Secretary of the Treasury authority to utilize incorporated banks and trust companies in connection with redemption of United States Savings bonds. At the present time payments are made only by a Federal Reserve bank or by the Treasurer of the United States, but in view of the tremendous increase in sales of such bonds, it is becoming apparent that additional facilities for payment will become necessary in the near future. As sales increase it is natural to assume that the volume of normal redemptions will increase in proportion.

Savings bonds were first offered on March 1, 1935. Your committee is advised that from that date to June 30, 1942, 79,938,502 bonds with a maturity value of \$10,414,673,300 had been issued and 4,635,573 bonds with a maturity value of \$844,994,025 were redeemed; from July 1, to December 31, 1942, 88,869,000 bonds with a maturity value of \$4,539,725,000 were issued and 5,080,400 bonds with a maturity value of \$266,098,000 were redeemed. None of these figures include bonds of series F or G, and the figures for the period after June 30, 1942, are estimates which cannot be exact by reason of unclassified sales and redemptions not yet reported. Undue delays in redemption must be avoided and the Treasury feels that the requested authority, together with the existing authority already contained in section 22, as amended, authorizing the utilization of the Post Office Department and Postal Service, will be sufficient to enable it to set up, if the occasion necessitates such action, facilities which will permit savings bonds to be redeemed without substantial delays.

Because savings bonds are being issued in such tremendous quantities, the Treasury Department has recommended that redemption procedures be simplified in order to facilitate the handling of the volume of redemptions that will ultimately occur, either before or at the maturity of such bonds. Under present administrative practices, checks and safeguards employed are becoming more costly to administer, and changes in the procedure are desirable from an economy standpoint and to avoid congestion and delay. The ultimate checks and safeguards will not be relaxed. However, in simplifying the intermediate steps payments may be made which result in losses. If any losses should occur, it is the opinion of the Treasury Department that they would be of minor importance and in very small amounts since most of the bonds to be dealt with are of the \$25 denomination, the initial value of which is only \$18.75.

The new subsection (i) of section 22 of the Second Liberty Bond Act would permit the use of the Government losses in shipment fund for the replacement of any losses from payments made in connection with the redemption of United States savings bonds. This would enable the Treasury to clear administrative accounts; to relieve accountable officers of liability for losses for which they would not be responsible, and without undue delay to make payments to persons who may be entitled thereto. This relief may be afforded to the Treasurer of the United States, the Post Office Department, the Postal Service, Federal Reserve banks, and incorporated banks and trust companies for losses incurred in making payments in connection with the redemption of savings bonds. Subsection (i) provides that the extent to which the fund will be availed of will be reported annually to the Congress. Thus, the manner in which the authority requested is exercised by the Treasury will be subject to annual review by the Congress.

Of course, it is contemplated that the full resources of the Government will be used to recover payments in the event they have been made to persons not entitled thereto, and subsection (i) therefore provides that the amounts recovered will be repaid to the fund. Your committee believes that any net losses incurred will be compensated many times over by the amounts of administrative expenses that will be avoided.

Section 4 of the bill which was referred to the committee also contained a provision which would have the effect of prohibiting any action under the Stabilization Act of October 2, 1942, or otherwise limiting the payment of annual salaries to a maximum amount less than the greater of the following:

- (1) The annual rate of salary paid to such employee on December 7, 1941; or
- (2) An amount which after reduction by the Federal income taxes thereon would equalize \$25,000.

In lieu of this provision, the purpose of which is explained at some length in House Report No. 181 at pages 4 to 7, inclusive, the committee recommend amending section 4 of the Stabilization Act of October 2, 1942, so as to repeal the provision which served as the basis for the action taken by the President and the Economic Stabilization Director in reducing salaries to approximately \$25,000 net after payment of taxes.

The amendment recommended by the committee also provides for rescinding all provisions of Executive Order No. 9250 issued by the President on October 3, 1942, Regulation No. 4001.9 issued by the Economic Stabilization Director on October 27, 1942, and all orders, regulations, and other directives, and all decisions, promulgated or made by virtue of such Executive order or regulation, which are in conflict with section 4 of the Stabilization Act of October 2, 1942, as amended. The committee amendment also provides that it shall be effective as of October 2, 1942.

The committee amendment would have the effect of terminating, as of October 2, 1942, the authority which the Congress granted to the President by the following language of section 4 of the Stabilization Act of October 2, 1942:

Provided, That the President may, without regard to the limitation contained in clause (2), adjust wages or salaries to the extent that he finds necessary in any case to correct gross inequities and also aid in the effective prosecution of the war.

The power of the President to reduce wages or salaries by Executive action "to the extent that he finds necessary to correct gross inequities and also aid in the effective prosecution of the war" would thus be terminated.

The balance of the language of such section 4 would remain unchanged under the committee amendment, and the section would read as follows:

SEC. 4. No action shall be taken under authority of this Act with respect to wages or salaries (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act, or (2) for the purpose of reducing the wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942.

As a result of the retention of this language, the powers granted to the President by the Congress with respect to limitations upon salary and wage increases for the purposes of the stabilization program would remain as they have been since October 2, 1942.

With regard to the effect of the amendment made by the bill to section 4 of the Stabilization Act of October 2, 1942, your committee wishes to point out that in that section, as so amended, the words "any particular work" contained in clause (2) refer to the particular work of a particular employee and not merely to a particular type of work. For example, this section, as amended, is not intended to invalidate or prohibit a wage-stabilization order establishing a maximum wage for any particular type of work, so long as exception is made allowing the payment of wages higher than such maximum wage to any particular employee for that particular type of work where such higher wages were being paid to such employee for such work at the time the order was issued.

In connection with the Executive action taken for the purposes of the stabilization program, it was brought to the attention of the committee by Senator Danaher that Regulation No. 4001.2 of the Economic Stabilization Director, issued October 27, 1942, provided that determinations of the National War Labor Board with respect to certain wage and salary payments were to be final and not subject to review. The language referred to is as follows:

Any determination of the Board made pursuant to the authority conferred on it shall be final and shall not be subject to review by The Tax Court of the United States or by any court in any civil proceedings.

An amendment was suggested to the effect that nothing contained in the Stabilization Act of October 2, 1942, should be construed to authorize the issuance of any regulation or order denying the right of appeal to or review by any court concerning any determination, ruling, or decision where the right to such appeal or review would otherwise exist.

By Regulation No. 4001.4, issued by the Economic Stabilization Director on October 27, 1942, the Commissioner of Internal Revenue was granted authority to determine the validity of certain wage and salary payments for the purposes of the stabilization program, and the following provision is found in such regulation with respect to the determinations made by the Commissioner:

Any determination of the Commissioner made pursuant to the authority conferred on him shall be final and shall not be subject to review by the Tax Court of the United States or by any court in any civil proceedings.

On behalf of the Treasury Department it was stated that the existing regulations promulgated by the Commissioner of Internal Revenue and the Secretary of the Treasury, and having the approval of the Economic Stabilization Director, expressly state that the provision therein contained relating to the conclusiveness of determination is not intended to deny to any employer or employee the right to contest, in the Tax Court of the United States or in any court of competent jurisdiction, any provision of the regulations, on the ground that such provision is not authorized by law, or otherwise to contest any action taken or determination made under such regulations, on the ground that such action or determination is not authorized, or has not been taken or made in the manner required, by law.

In view of this statement, which clarifies the intent of the provisions in the regulations issued by the Economic Stabilization Director on October 27, 1942, the proposal relating to the right of appeal and review was not included in the amendment recommended by the committee.

The committee believes that no construction should be placed upon such regulations, or upon any other regulations issued in connection with the stabilization program, that would preclude any individual from exercising any rights or remedies that he might otherwise have under the law by way of protection against arbitrary administrative action.

The committee urges the speedy enactment of the bill as reported.





Calendar No. 126

78TH CONGRESS
1ST SESSION

H. R. 1780

[Report No. 123]

IN THE SENATE OF THE UNITED STATES

MARCH 16 (legislative day, MARCH 9), 1943

Read twice and referred to the Committee on Finance

MARCH 19 (legislative day, MARCH 9), 1943

Reported by Mr. GEORGE, with an amendment

[Omit the part struck through and insert the part printed in *italic*]

AN ACT

To increase the debt limit of the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the Public Debt Act of 1943.

4 SEC. 2. Section 21 of the Second Liberty Bond Act,
5 as amended, is further amended to read as follows:

6 “SEC. 21. The face amount of obligations issued under
7 the authority of this Act shall not exceed in the aggregate
8 \$210,000,000,000 outstanding at any one time.”

9 SEC. 3. Section 22 of the Second Liberty Bond Act, as
10 amended, is further amended by adding at the end thereof
11 the following subsections:

1 “(h) The Secretary of the Treasury, under such regula-
2 tions as he may prescribe, may authorize or permit payments
3 in connection with the redemption of savings bonds to be
4 made by incorporated banks and trust companies.

5 “(i) Any losses resulting from payments made in con-
6 nection with the redemption of savings bonds shall be re-
7 placed out of the fund established by the Government Losses
8 in Shipment Act, as amended, under such regulations as
9 may be prescribed by the Secretary of the Treasury. The
10 Treasurer of the United States, any Federal Reserve bank,
11 or any incorporated bank or trust company authorized or
12 permitted to make payments in connection with the redemp-
13 tion of such bonds, shall be relieved from liability to the
14 United States for such losses, upon a determination by the
15 Secretary of the Treasury that such losses resulted from no
16 fault or negligence on the part of the Treasurer, the Federal
17 Reserve bank, or the incorporated bank or trust company.
18 The Post Office Department or the Postal Service shall be
19 relieved from such liability upon a joint determination by the
20 Postmaster General and the Secretary of the Treasury that
21 such losses resulted from no fault or negligence on the part
22 of the Post Office Department or the Postal Service. The
23 provisions of section 3 of the Government Losses in Ship-
24 ment Act, as amended, with respect to the finality of deci-
25 sions by the Secretary of the Treasury shall apply to the

1 determinations made pursuant to this subsection. All re-
 2 coveries and repayments on account of such losses, as to
 3 which replacement shall have been made out of the fund,
 4 shall be credited to it and shall be available for the purposes
 5 thereof. The Secretary of the Treasury shall include in his
 6 annual report to the Congress a statement of all payments
 7 made from the fund pursuant to this subsection."

8 SEC. 4. Effective as of October 2, 1942, section 5 of the
 9 Act of October 2, 1942, entitled "An Act to amend the
 10 Emergency Price Control Act of 1942, to aid in preventing
 11 inflation, and for other purposes", is amended by adding
 12 subsection (d) to section 5, as follows:

13 "~~(d)~~ No action shall be taken under authorization of
 14 this Act, or otherwise, which will limit the payment of annual
 15 salaries to a maximum amount less than the greater of the
 16 following:

17 "~~(1)~~ The annual rate of salary paid to such employee
 18 on December 7, 1941; or

19 "~~(2)~~ An amount which after reduction by the Federal
 20 income taxes thereon would equal \$25,000."

21 SEC. 4. (a) Section 4 of the Act approved October 2,
 22 1942, entitled "An Act to amend the Emergency Price Con-
 23 trol Act of 1942, to aid in preventing inflation, and for
 24 other purposes" (Public Law 729 of the Seventy-seventh

1 Congress), is hereby amended, effective as of October 2, 1942,
2 to read as follows:

3 “SEC. 4. No action shall be taken under authority of
4 this Act with respect to wages or salaries, (1) which is
5 inconsistent with the provisions of the Fair Labor Standards
6 Act of 1938, as amended, or the National Labor Relations
7 Act, or (2) for the purpose of reducing wages or salaries
8 for any particular work below the highest wages or salaries
9 paid therefor between January 1, 1942, and September 15,
10 1942.”

11 (b) (1) Section 7 of title II, and all other provisions
12 of Executive Order Numbered 9250, “Providing for the
13 stabilization of the national economy” issued October 3, 1942,
14 and all provisions of Regulation Numbered 4001.9, promul-
15 gated by the Economic Stabilization Director on October 27,
16 1942, which are in conflict with this section are hereby re-
17 scinded; and (2) all orders, regulations, and other directives,
18 and all decisions, promulgated or made by virtue of the
19 said Executive order or regulation which are in conflict with
20 this section are hereby rescinded.

Passed the House of Representatives March 12, 1943.

Attest:

SOUTH TRIMBLE,

Clerk.

78TH CONGRESS
1ST SESSION
H. R. 1780

[Report No. 123]

AN ACT

To increase the debt limit of the United States,
and for other purposes.

MARCH 16 (legislative day, MARCH 9), 1943
Read twice and referred to the Committee on Finance
MARCH 19 (legislative day, MARCH 9), 1943
Reported with an amendment

pacts were entered into that no one can be sure just what their effect has been, or would have been if trade conditions had been normal. At the present time we have very little international trade except on lend-lease. No one foresees what the situation will be after the war.

In the light of the record and the outlook, what should the Republicans do when the trade-agreement program comes up in the House?

We have never approved the present law but we do not believe the Republicans should be responsible for allowing it to lapse completely. Neither do we think it should be extended in its present form. In our opinion the House Republicans ought to insist on at least two important changes.

First, the most-favored-nation clause should be barred in all future agreements and eliminated from those now in effect. Under this clause tariff concessions made to one nation are automatically extended to all other nations whose tariffs do not discriminate against us. The plain fact is the trade-agreement program has amounted to a general reduction of United States tariffs. Every nation granted a tariff concession by the United States should be required to make some concession in return. This would be real reciprocity.

Second, no trade agreement should become effective until Congress has had an opportunity to reject it by a majority vote of both Houses. We would not require affirmative approval by Congress. We would merely give Congress a chance to disapprove. If the two Houses did not reject it within a reasonable time, say 90 days, the agreement would become effective.

We believe that with these two amendments the Republicans would be justified in voting for extension of the reciprocal trade agreement program.

Food Production

EXTENSION OF REMARKS OF

HON. WINIFRED C. STANLEY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Friday, March 19, 1943

Miss STANLEY. Mr. Speaker, under leave to extend my remarks in the RECORD, I include the following statement of recommendations concerning the matter of price ceilings on vegetables as unanimously adopted at a State-wide conference of vegetable growers of New York State:

We as representative vegetable growers of New York State, in conference at Albany March 11 and 12, recognize as our country's whole population must, that a nation produces and its army fights on its stomach and that therefore food is as essential in our total war effort as planes, ships, tanks, and guns.

We vegetable growers pledge to our country our utmost effort in meeting the needs not only of our sons in the armed forces and our civilian population but of our allies and the populations of the deprived and persecuted nations.

We therefore maintain that our first and most important job as growers is to utilize to the fullest possible extent our tremendous potential of production in meeting these stated needs for food. But to the end that these needs may be met we must be unhampered and unrestricted in going about the unprecedented task before us. Our

farms and our hands must be freed for the job.

At the present time, March 12, with many seedling plants already growing and when seeds and fertilizers should be on the farm, we stand at the very beginning of another growing season. The way production goes, up or down, is in delicate balance today. Governmental interference in the form of price ceilings exerts an increasing daily pull downward.

This conference, after a detailed study of price ceilings and the many factors involved with respect to vegetable growing in New York State, places itself on record as being unanimously opposed to any and all price ceilings on perishable produce in general, or on tomatoes, peas, beans, cabbage, spinach, lettuce, and carrots specifically, for the following reasons.

1. COST OF PRODUCTION

The cost of producing vegetables in New York State varies with each producing section and with each farm within these sections and with each season. Labor costs can neither be accurately determined in advance of marketing, nor, without knowledge of yield per acre. Yield per acre is subject to growing conditions over which neither the grower nor the Office of Price Administration has any control.

2. CONTAINERS

We maintain it is impracticable to establish ceiling prices on any commodity which is sold in various sizes and kinds of containers. For example, tomatoes in the Rochester area normally sold in 12 quart climax baskets or half bushels. Capital district growers market theirs in 24 quart baskets. In the Hudson Valley both 16 quart baskets and tomato lugs are used.

The first requisite, therefore, to fair ceiling prices dictates stabilization of containers over the State. Under war conditions, this is not feasible. Supplies of new containers are so restricted that second-hand containers must be largely utilized. Many of these have been bought for the season. Standardization of containers would enforce undue hardship upon such growers. It might well result in crop losses due to scarcity of any one fixed type of container.

3. GRADES AND GRADING

We maintain that it is impracticable to establish ceiling prices without considering grades and quality of any product. Vegetables are grown under a wide variety of conditions in the State. Many different varieties of each vegetable likewise are grown, each subject to variations in price. Grading practices vary both as to sections, as to individual growers, and as to the time of harvest. We do not believe it feasible to establish standard grades at this time. Such standards, if adopted, could not be enforced because of shortages of manpower in the enforcement agencies.

4. SEASON OF PRODUCTION

Seasons of production vary in different parts of the State. Tomatoes, for example, ripen progressively over the State starting with the Hudson Valley. By the time the Capital District is in production, a basket of tomatoes worth \$5 at Albany brings \$3 at Newburgh. By the time later production areas come in, the Hudson Valley tomato sells for \$1, the Capital District tomato for \$3, and the northern tomato \$5. How then are price ceilings to be established, or how enforced? This applies to all of the other vegetables mentioned.

5. FARMERS CANNOT EXIST IF PRICES ARE HELD BELOW PRODUCTION COSTS

The theory of price ceilings is based upon the assumption by the Office of Price Administration, by other Federal agencies, and by the consumer, that, regardless of price ceilings, regulations, or orders affecting

growers, we farmers will continue to plant, produce, and harvest as usual. It is time this was recognized as wishful thinking. In spite of subsidies, incentive payments or "what have you," farmers still stay in business by making a profit. When ceiling prices are put upon fresh vegetables, restricting a high price, with no consideration to a floor price, the result is to encourage low prices and to take away the incentive for production.

A case in point. Thousands of early tomato and cabbage plants which supply our local markets with early produce before the main crop comes in are now started in our greenhouses. Bear in mind that the cost of producing these early crops is much higher than that of later plantings. Bear in mind also that early crops are produced only because they command very high prices. These early crops are more than justified because they supply our local markets when there is no other source of supply except by resorting to and placing an added burden on our now overtaxed transportation system. Bear in mind, likewise, that canned vegetables are rationed. One grower present stated that if ceiling prices of \$2 to \$3, to use an arbitrary figure, are set, he will pull out his 15,000 tomato seedlings and throw them away. This man knows that he cannot produce at this figure. Nor can he risk producing this early crop with any Government bureau holding the arbitrary power of fixing prices at any figure designed solely to protect the consumer.

It is not too difficult, then, to envision price ceilings as boomeranging to force growers to shift their production from these essential crops to others not bound by ceilings. We wonder whether this has been considered. We wonder whether we, as a nation, can afford to continue to close our eyes to practical considerations of this sort.

6. RECOMMENDATIONS

We cannot admit the wisdom of price ceilings on perishable produce. We believe it a false economy. If, however, we must submit to them, we recommend that:

A. Price ceilings be based upon the highest market prices of last year for each crop and for each production area, as duly recorded by our State Department of Agriculture and Markets.

B. To this base price for each area must be added coverage for the increased costs of production that must be met this year.

C. These prices are a matter of record from day to day. The adoption of this method will compensate our growers for the increased costs of his early crops. They will fluctuate in each area in accordance with the season and, by and large, furnish the only approach to this problem.

D. If this method, as recommended, be adopted, or any other method, we insist that the control of these prices be lodged, not in Washington, but in the district office closest to each production area. Unfavorable weather, disease, insect pests, all play their role, war or no war. It is vitally important to our producers that provision be made for appeals to cover unforeseen and unpredictable happenings and that adjustments be made with the minimum of delay.

E. If price ceilings are to be placed upon fresh vegetables, New York growers must know what these ceilings are to be, not later than March 20, 1943, because planting time has arrived.

F. If price ceilings are to be resorted to, we recommend that they be placed on the terminal market or on the retailer, or on both, but not f. o. b. shipping point.

G. Whenever price ceilings are placed on a given farm product the producer who sells direct to wholesale houses, or retail stores, commercial, industrial, institutional, or government users, the same ceiling price shall apply for the producer at any given point of sale as applies to any other seller.

Under many of the present price-ceiling orders where sales are made direct to both retailers, restaurants, commercial, industrial, etc., users, and direct to consumers, both at farmers' public markets and at the buyer's place of business or home, the producers' ceiling prices are set at a lower level than other handlers. For example, the farmer's ceiling on onions and potatoes on a regional market or delivered to a retail store is less than a merchant trucker or class 3 wholesaler.

This is a clear case of unfair discrimination against the producer.

7. It is the opinion of this conference that the establishment of ceiling prices on perishable produce is an open invitation to the expansion of black market operations. Black market operations must, in turn, lead to the by-passing of all our organized marketing channels. These marketing channels and our distribution systems have been developed over a long period of time and at great cost to farmers, dealers, and to the consumer. Grower, distributor, and consumer have benefited from these organized marketing facilities. They must not be disrupted if we are to do our job today. The cost to the Nation of permitting a policy that will extend our black markets, must be far greater than the cost of permitting our farmers a fair return for his products.

8. IN CONCLUSION

We stand at the threshold of our production season. The scales determining which way production is to go—up or down—are in delicate balance today. Price regulation without price floors and governmental interference with agriculture today exert a daily pull downward.

The price at stake is too great to risk much more downward pressure on the scales. The farmer is the forgotten man of today.

Let us alone and we will produce. Work with us, not against us. We want to do our job in our way as we know best. Whose stake is any greater than ours? Our sons and daughters are scattered over the face of the globe. They are gone from our farms. We who are left, recognize our trust.

Let it be truly said that in America, all just powers of government are derived from the consent of the governed. We cannot give our consent to any scheme of regulation that jeopardizes the very things we fight for.

Extension of Debt Limit

SPEECH

OF

HON. WESLEY E. DISNEY

OF OKLAHOMA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 11, 1943

The House in Committee of the Whole House on the state of the Union had under consideration the bill (H. R. 1780) to increase the debt limit, and for other purposes.

Mr. DISNEY. Mr. Chairman, the problem confronted here is government by directive as against government by law.

When one division of a republican form of government becomes too powerful, or when another abdicates its required constitutional powers, that disbalance ultimately resolves into the destruction of the whole plan of government.

If one branch of government construes or enforces laws passed by another branch adversely to the letter or the in-

tendment of the statute, then it is not only the right but the duty of the other to assert its constitutional prerogative—not for itself, but for the protection of the individual rights of the citizen.

Congress, as representative of the people, has complete jurisdiction and authority of war powers in the United States under the Constitution, in times of peace as well as in war. The President cannot interfere with that authority.

The President is Commander in Chief of the Army and Navy in peace and in war. The Congress cannot interfere with that authority. He has no other war powers, per se. They must be delegated by Congress.

The President has absolute authority in the conduct of relations with foreign governments. The Congress cannot interfere with that authority except in the declaration of war and the ratification of treaties.

Section 4 of the bill is aimed at the specific instance of government by directive, commonly referred to as Executive Order No. 9250, the salary-stabilization order. A well-known Washington columnist, favorable to the administration, refers to the order in the following language:

The President's order has only fragile support in law and is of little, if any, economic value in controlling inflation. It was adopted for moral and political reasons.

The pending bill has a twofold importance. It involves two different and distinct proposals. One relates to the price of victory. The other relates to the price of liberty. The first purpose is to increase the limit on our national debt from one hundred and twenty-five billions to two hundred and ten billions. Much as we may regret, we all recognize the necessity for the proposed increase. That is part of the price of victory. It avails nothing to argue with necessity. It offers no terms except the sultan's ultimatum: "Obedience or the bowstring."

In the second place the bill proposes to suspend the Executive order of the President which in effect reduces all salaries in excess of \$25,000 a year down to that figure, and fixes that and freezes them to that level. That was the freezing point. That order, your committee has concluded, was an exercise of legislative power, and not properly an exercise of the executive power. For better or for worse, the framers of our free institutions vested all legislative power in Congress. Congress is the trustee of all legislative power, and it is the highest duty of Congress to guard that trust, to guard it with that unremitting vigilance which is the price of liberty. It is the duty of Congress to challenge arbitrary power no matter when or where it may appear, no matter in what guise or disguise it may appear, no matter how benevolent the design, and no matter how much the objective may appeal either to our prejudices or to our ideologies.

Before us are the issues which are to be discussed and decided, and the underlying principles which should control our decision. It is sometimes necessary to point out the distinction between a nominal or apparent issue on the one hand, and the fundamental issue on the

other. The issue which lies upon the surface of the present controversy is this: Should the Executive order of the President reducing and fixing salaries be continued or discontinued? But the real issue goes much deeper than that. The real issue is one of principle. It is one of power. It is this: Had the President power to issue the order in question? Had Congress authorized the President to issue such an order? Last but not least: Had Congress either the power or the right to delegate its legislative authority to the President?

We can by an historic example point out the distinction between an issue which appears upon the surface, and a fundamental principle underlying such an issue.

The tax on tea was one of the chief incidents which brought on the American Revolution. The tea tax was only 3 pence a pound. A mere trifle. The tax in itself was nothing, but the principle underlying the tax was everything. It rent the British Empire asunder. It brought on a deadly clash between two irreconcilable principles of Government. The position of Parliament was expressed in the so-called Declaratory Act. It read as follows:

Parliament had, hath, and of right ought to have, full power and authority to make laws and statutes of sufficient force and validity to bind the colonies and people of America, subjects of the Crown of Great Britain, in all cases whatsoever.

The Colonies could not but regard that as an assertion of arbitrary power. From their standpoint acquiescence meant slavery and chains.

The position of the Colonies was embodied in the declaration and the axiom that "Taxation without representation is tyranny."

These clashing principles brought on, as Seward said about slavery, an irrepressible conflict between two opposing and enduring forces.

The sons and daughters of the men who staged the Boston Tea Party, rather than pay a tax of 3 pence a pound on tea, are now paying without serious protest taxes as high as 90 percent on their personal incomes. Why? Because the tax is imposed by constitutional authority and not by arbitrary power.

The issue as to whether the Executive order in question should be continued or discontinued may be said to represent the tax on tea as such. But the issue as to whether the executive department can exercise powers which are vested in the legislative department alone goes to the very foundations of our constitutional system of government.

Under our system, the power to lay and collect taxes is vested in Congress alone. The President has no such power.

The House will forgive me if at this point I submit a few remarks which are elementary in character. The very first sentence in the Constitution of the United States contains this language:

All legislative power herein granted shall be vested in a Congress.

Upon this point the Supreme Court of the United States has said:

The Congress is not permitted to abdicate or to transfer to others the essential legislative functions with which it is thus vested.

The Constitution itself provides that Senators and Representatives shall be bound by oath to support the Constitution. Every Member of Congress takes a solemn oath to bear true faith and allegiance to the Constitution—not to the Republic; not to the United States; not to the President; but to the Constitution and to support and defend it against all enemies foreign and domestic.

Under that oath Congress could not, if it would, and I feel certain would not if it could, divest itself of the constitutional power to legislate, and delegate that power to the President. Upon that point the Supreme Court of the United States has said:

That Congress cannot delegate legislative power to the President is a principle universally recognized as vital to the integrity and maintenance of the system of government ordained by the Constitution.

That case has never been overruled. That principle has never been modified. It is the law of the land. The framers of our Constitution "planned it that way." They knew that if the rights of the people were to be protected, the powers of the government must be divided and limited. They knew what all history teaches—that where the legislative, executive, and judicial powers, or any two of them, are combined or centralized in the same hands, arbitrary power is installed, and that tyranny will follow sooner or later, as the night follows the day.

The separation of powers is the very cornerstone of our system of free institutions. That principle found classic expression in article 30 of the Constitution of Massachusetts, adopted in 1780. The article was entitled "Separation of Executive, Judicial, and Legislative Departments." I quote, lest we forget:

In the government of this commonwealth, the legislative department shall never exercise the executive and judicial powers of either of them; the executive shall never exercise the legislative and judicial powers, or either of them; the judicial shall never exercise the legislative and executive powers, or either of them; to the end it may be a government of laws and not of men.

To the end that it may be a government of laws and not of men that was the great consideration. That was the end they sought. The separation of powers was the means which they adopted to accomplish that end. The statesmen of that day remembered what the statesmen of this day sometimes forget—that in the long run a government of men degenerates into despotism, as death follows life. Plato declared more than 2,000 years ago, that a benevolent despotism would be the ideal form of government if it could be made certain that you would always secure a benevolent despot, and if it could be certain that the benevolent despot would continue to be benevolent.

There's the rub. Benevolent despots are too few and too far between. As responsible legislators we must be guided by the lamp of experience; must be governed by the rule, not the exception. I am discussing principles, not persons. Indeed, what I say is impersonal.

Probably many, perhaps most, of the Members of the House would be as willing to delegate the legislative powers with which they have been entrusted, to the present President, as to any other. But man is mortal. The present President will not always occupy the White House. What about his successor? Would you be willing to delegate legislative power to his successor whom you now know not of? If not, do not establish a precedent now that will come back to plague your country in the future. Some day, some evil day, a President may come to power, one who does not believe in our American way of life as you and I believe in it; one who does not believe in the Constitution as adopted; who does not believe in our free institutions; one who would require Congress to enact legislation whether constitutional or not; one who would issue Executive orders which had not been authorized by the legislative department. Some day a President might come to power who does not believe in our economic system and who does not believe in free enterprise, in private initiative. Some day a President might come to power who was opposed to labor and to labor unions; opposed to collective bargaining; who would favor the farmer against the laborer; who would favor the laborer against the farmer; who would favor the gentile against the Jew, or the Jew against the gentile. Some day a President might come to power who did not agree with the Supreme Court that—

The Constitution of the United States is a law for rulers and people, equally in war and in peace, and covers with the shield of its protection all classes of men, at all times, and under all circumstances. No doctrine involving more pernicious consequences was ever invented by the wit of man than that any of its provisions can be suspended during any of the great exigencies of government.

Let us not pull the cornerstone out from under the temple of our liberties. Let us see to it that the Constitution and our American way of life are preserved and not destroyed under the stress and strain of war. Let us see to it that the Government which has made that way of life a reality shall not perish from the earth.

This order superimposes on this statute something that Congress neither meant nor said. Something Congress neither contemplated nor authorized. By fiat is added substance and procedure which Congress neither permitted nor intended to permit. There is added to the authorization Congress actually made, material substantive law by decree, not contemplated nor contained in Congress' act.

Used as a historic precedent, such procedure would permit any Executive to add to the definitely expressed will of the legislative department, any whim, caprice, or notion, good or bad, of the Executive or his advisers, with relation to any segment of the citizenship, with relation to their personal rights, with relation to their property rights.

Labor could feel the wrath of Executive edict, capital could be decapitated, races could be discriminated against,

the shackles of tyranny placed on labor, criminal statutes added to innocent civil procedures—all by the process of superimposing the edict of the Executive upon the statutes of the Congress.

The issue as to whether the Executive order under discussion should be continued or discontinued really involves two questions: First, is the order valid? Second, is the order desirable? The former is a legal question; the latter is a fiscal, economic, and social question by turns. So far I have confined my remarks to the validity of the order. Because if it be invalid, the desirability of the order becomes a mere academic question. If the order be invalid, and is still deemed desirable, the legislative department alone, and not the executive department, has the authority to enact this revolutionary order into law.

But if it should be admitted that the order is valid, it does not follow that the order is desirable. Its desirability is by no means self-evident. Many Americans—I believe that most Americans—challenge the desirability of this Executive order. In spite of the stress and strain of war, most Americans still believe that America is and should be the land of the free; that it is and should be a land of opportunity. Most Americans still believe that the laborer is worthy of his hire; that the workman is worthy of his wage; that the toiler, whether with brain or brawn, is entitled to what he earns. Most Americans agree that unequal talents earn unequal rewards; that the man who earns 10 talents is entitled to 10 talents; that the man who earns 1 talent is entitled to 1 talent; that the man who earns no talent is entitled to less than the man who earns many—that the honey bee is entitled to more than the drone. Would we keep Henry Ford at the lathe and the forge? The watchword of the Marxian Communists is: Unto everyone according to his needs. The watchword of a democracy is: Unto everyone according to his deeds—according to his deserts.

There is one other point which bears upon the desirability of this salary-pegging order. I wish to call your attention to the peculiar character and consequence of this curious order. It is not a fiscal measure. It is not a tax measure. It is not a revenue measure. It lays no tax and it raises no revenue. On the other hand, if enforced it will lose the Treasury revenue. If this order is not fiscal, is it political? The demand for it cannot be found in any Republican platform. It cannot be found in any Democratic platform. What is its genesis? Where can it be found? It is found in the national platform of the Communist Party in the campaign of 1928. And that reminds me that a certain variety of the cuckoo lays its eggs in other birds' nests—and allows the home bird to hatch out and hover the alien brood. If this order will not raise but will lose revenue what is its justification? What is its real objective? Is it akin to Huey Long's wealth-sharing crusade? Is its effect to abort our American system? I ask these questions. I do not answer them.

I think the questions themselves tend to disprove the desirability of this Executive order—of this, I will not say, confiscatory reform.

Mr. Chairman, I offered in the Ways and Means Committee that section of the pending bill which proposes to suspend the executive order which reduces all salaries in excess of \$25,000 a year down to that point. If adopted, this section will accomplish two things. It will restore, fix, and freeze all such salaries at the point where they stood when Pearl Harbor was attacked. It will prevent any increase in such salaries for the duration. It will also prevent any excessive salaries or bonuses which might otherwise be paid out of war contracts and out of war profits. It will prevent for the future certain scandals which have occurred in the past. On that score it will protect both the public and the Treasury.

No principle of law, no rule of construction, is better established than the rule that the will, the intent of Congress as embodied in legislation constitutes the law. I shall now undertake to prove by the record that when Congress passed the Act of February 2, last, it did not intend to confer upon the President the power to issue and execute any such order as that reducing and fixing salaries. I will show by the record that the House did not intend to authorize such an order and that the Senate did not intend to authorize such an order. The act upon which the order is based, when properly construed, did not confer any such authority upon the President.

Section 4 places a ceiling on salaries as of December 7, 1941. In addition it provides that salary raises which exceed \$25,000 after taxes shall not be permitted. In other words, salary raises above \$25,000 net are prohibited and peacetime salaries are not reduced or confiscated as in the Executive order and in the regulations which resulted from that Executive order.

We cannot afford not to place a ceiling upon salaries when the whole tenor of the inflation bill has been to put a ceiling upon salaries and wages. We cannot take that inconsistent position. The majority of the Ways and Means Committee decided that that was the correct position to take, and in the committee, when a motion was made to repeal the President's Executive order retroactively, section 4 was offered as a substitute, following the conviction of the majority of the members of the committee, that we could not properly go before the House with a correction of the Executive order by direct repeal, but that a salary limit was the proper procedure for correction. The committee does not believe in the confiscation of salaries, large or small.

That is the history of section 4 in the committee. It is fair to say that several members of the committee in the discussion appeared to believe in the principle of section 4, but came to the conclusion that it did not properly belong in the bill to extend the debt limit.

The majority took the view, not only that the anti-inflation bill did not give the President the power to make the Ex-

ecutive order, but that if in effect the act gave color to the right to make the order, the Congress by express statements of its Members had emphatically defined its intention, and had construed the proviso involved, adverse to the right of the Chief Executive to make his now famous order.

There is no better initial statement of the meaning and purpose of this section than the summary given in the committee report on page 4:

Section 4 of the bill amends, retroactively, the act of October 2, 1942, entitled "An act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes" (known as the Anti-Inflation Act), so as to clarify the provisions of that act relating to ceilings on salaries. Section 4 adds a new subsection to section 5 of that act, providing that nothing in that or any other act should be held to authorize a limitation of annual salaries to a maximum amount less than (1) the rate of salary paid to the employee on December 7, 1941, or (2) the amount which after reduction of taxes thereon would equal \$25,000, whichever is the greater.

CEILINGS ON SALARIES

Shortly stated, section 4 puts a ceiling on salaries as of December 7, 1941. In addition it provides that no salary raises, which exceed \$25,000 after taxes, shall be permitted. In other words, salary hikes above \$25,000 net are prohibited, and peacetime salaries are not reduced or confiscated.

Section 1 of the Anti-Inflation Act grants the President, subject to the limitations of section 3, general authority to establish ceilings on salaries and wages. Section 3 provides that no action should be taken for the purpose of reducing salaries or wages for any particular work below the highest level thereof between January 1 and September 15, 1942, but there was inserted a proviso to this limitation on the President's authority which states that the President may "without regard to the limitation contained in clause (2) adjust wages and salaries to the extent that he finds necessary in any case to correct gross inequities and also aid in the effective prosecution of the war."

The President, on October 3, 1942, issued an Executive order which, among other things, directed the Director of Economic Stabilization to promulgate regulations to limit the amount of salary which any individual might receive to an amount which after reduction by taxes thereon would equal \$25,000. Regulations to carry out this directive were issued by the Director of Economic Stabilization on October 27, 1942. In effect, these regulations reduced all salaries to \$25,000 after taxes, and created what might be called a sub-peacetime limit. But wages were not reduced.

The issuance of the President's Executive order and of the regulations thereunder immediately gave rise to bitter controversy not only with respect to the fairness of the order and regulations, but also the President's authority under the law to issue it.

It is estimated by the staff for the Congressional Joint Committee on Internal Revenue Taxation that the loss in revenue under the Executive order is approximately \$110,000,000.

The loss under section 4 is estimated at \$90,000,000.

The proposal of this section 4 raises some of the deepest questions that will come before this House during the war; questions which, if we do not settle them intelligently at this stage, are sure to appear much more violently at a later stage in the war.

For that reason I hope this debate will analyze these deep issues carefully, and not attempt to gloss over them in a flag-waving bout about the boys in the trenches who have the first interest of all of us; and support of the President who has the respect and help of all of us.

Section 4 is, undeniably and deliberately, a pro-Congress bill. It is a clarification of a delegation of congressional power to the Executive which will compel a curtailment of Executive regulations already issued. It is intended to assert and protect the rights of Congress under the Constitution—the rights which the President himself so vehemently asserted in the controversy some few years ago over the relative powers of the Congress and the Supreme Court, when that tribunal set aside some acts of Congress.

But because it is a pro-Congress bill, it is not and it should not be construed to be an anti-President bill.

The Democratic members of the committee which reported out this section are 5 in number and supporters of the President who were consistently and reliably for him when that portion of the President's temporary following which advised him to create this situation were trading back and forth as to the price for their allegiance.

They will be Democrats—and defending him, I prophesy, long after that same opportunistic portion of his followers will be debating whether it is not more useful and profitable to themselves to trade their weight elsewhere.

They are Democrats and supporters of this President who, nevertheless, know by experience what can be done to a legal precedent unlimited in its implications when it is available for clever manipulation by the advisers to some unknown successor to such a trusted President. Garfield expressed it thus:

But what we do on this occasion will be quoted as a precedent hereafter, when other men with other purposes may desire to confer this power on another President for purposes that may not aid in securing public liberty and public peace.

They are Democrats and supporters of the President who remember the old saying of the sheep country, "Good fences make good neighbors," as well as another old saying, "A stitch in time saves nine."

They are Democrats and supporters of the President who remember that a tragic division between the Executive and the Congress lost a Democratic President his victory after the last World War, and who do not want the seed sown of legal differences of opinion between the Executive and Congress as to their respective powers under the Constitution.

They are Democrats and supporters of the President who want to keep the Congress and the President good neighbors, in war and in victory, by building now, in time, the good fences of clear understanding between the Congress and the President as to the use his advisers and administrators will make of powers granted to him; and as to a mutual standard of construction of powers of Congress which Congress by its own good will delegates to the President.

I consider that the first duty of an American to his country in this war is

to do to the limit of his capacity the particular job which his orders give him to do. In the case of a Congressman, his orders are from the Constitution itself to be the best Member of Congress he can. The first duty of an American Congressman is to protect to the best of his ability the relationships between Congress and the Executive set up by the Constitution of the United States, which he is sworn to protect and preserve.

I am further convinced that a Democratic Congressman best serves a Democratic President in a period of confusion like the present by helping to keep clear the demarkation between the power of the Congress and the power of the President so that the President cannot be tempted on the advice of advisers who, facing problems inherently difficult of solution, always want him to take the method that makes things easiest for them personally, and press him to assume responsibilities and powers which are beyond the bounds given him by the Constitution and which will eventually land him in a morass of responsibilities which no President can successfully carry through.

I think that I and every Democrat who tries to help the President stay within the bounds of his constitutional powers and corresponding responsibilities are helping, not hurting the President in his magnificent effort to win the war, and through winning the war to preserve the American way of life as we have lived it and as we are determined to keep on living it.

To safeguard the future of that American way of life, we must remember that individual Congressmen and individual Presidents come and go. But we are fighting this war in the hope that the institution of the Congress of the United States, the institution of the Presidency of the United States, and the relations between them decreed by the Constitution of the United States, will go on forever.

Those relations are, for peculiar reasons in the history of this situation, tied up in the symbol of this salary problem. Therefore, I say that the manner in which the handling of this salary problem is worked out between the powers of the Congress and the powers of the Executive department, are just as important to the preservation of the American way of life as the substantive disposal of the salary problem itself.

Of course everyone agrees with the President's broad proposition that from the standpoint of national morale, after as well as during this war, we cannot afford the growth of a class of war millionaires like those who created so much disillusion after 1918.

All of us are going to see to it that that problem is faced so that for all substantial purposes it will be met. Congress has already seen to that. The departments must do their duty.

But everyone who thinks thru how closely variations of individual income are linked to the whole structure of what we call the American way of life, approaches such a problem with the utmost caution. It is the kind of a situation

in which some cures can be worse than the problem—the kind of situation in which we may easily find ourselves like the man who burned down the barn in order to roast a pig.

One solution, of course, is to recognize and accept as a kind of coup d'état the President's solution as expressed in the Executive Order—and have Congress leave the subject alone—a type of Congressional abdication by acquiescence.

That, I assert, the Congress cannot accept as a solution, because in the acceptance of such a coup d'état the very independence of Congress is involved—the independence of an independent arm of government.

The other alternative is for Congress to find for itself a solution to the problem which substantively meets the points the President has raised, builds upon the experience gained by his experimental initiative, and modifies the substantive mistakes in the President's proposal as the voice of public criticism has revealed those mistakes in the last 6 months.

These things, I submit, section 4 as a substantive matter, accomplishes. It still leaves to the Executive Department the initiative in applying the details of a Congressional policy for the benefit of national morale. But it does set up, by law, certain limitations to his power in that regard—limitations which the criticism of the country has shown to be practical and to be necessary, as the country—i. e. your constituents and mine—has had its difficulties in adjusting itself to the original terms of the President's Executive order.

It is against this background and with this purpose of helping the President of the United States that I now want to go into the history of the relationships between the Executive and the Legislative power on this salary problem.

In this connection I cannot do better than quote directly from the findings of the Ways and Means Committee on this subject as set forth on pages 5 and 6 of the committee report on this bill:

It is recalled that on April 27, 1942, the President transmitted to the Congress a message recommending legislation which, by imposing a supertax, would have the effect of limiting all incomes, including salaries, to \$25,000 after taxes; that responsible officials of the Department of the Treasury outlined to the Ways and Means Committee the manner in which such an objective could be achieved; and that your committee, after deliberation, determined not to follow the President's recommendation.

It is further recalled that on September 7, 1942, the same recommendation was made by the President in his anti-inflation message but was not acted upon by the Congress; that during the deliberations of the Committee on Banking and Currency in the House on the bill which became the Anti-Inflation Act, an amendment was proposed by Representative PATMAN to carry out this recommendation, and the amendment was rejected by the committee.

It is further recalled that Mr. STEAGALL, chairman of the Committee on Banking and Currency, who submitted the report of the Committee on Banking and Currency and was in charge of the bill during its consideration in the House, appeared before the Rules Committee for a special rule on the bill. Inquiries were directed to Mr. STEAGALL if the President could limit salaries to \$25,000 a

year under the bill. To this Mr. STEAGALL replied:

"I do not think so. . . . I think the record will show that such is outside of legislative intent; and I do not believe that the President of the United States would deliberately go against a clearly disclosed opinion of Congress. I cannot think that. . . . I am not prepared to say that the President is going to do anything under this proposed measure except what he understands the Congress intends him to do. This is a mandate and a guide for his action."

It will be recalled that in the debate in the House Chairman STEAGALL said:

"Gross inequities" are words that have well-established definitions not only in the dictionary but in the lawbooks, and this language carries a very definite guide to the President. This standard could not be disregarded without gross disregard of the expressed will of Congress.

In the other body a Senator inquired of the Member who was in charge of the anti-inflation bill:

I should like to have the opinion of the Senator regarding the use of the words "gross inequities."

To this the Member in charge of the bill replied:

We strove to find a phrase which would enable the President to stick as close as reasonably possible to the level of September 15, 1942. We wanted to confine him to allowing increases or decreases only in those cases where great injustice would otherwise be done.

From this chronology, your committee finds that in its judgment it was never the intent of the Congress in either of the anti-inflation bills to give the President authority to issue the Executive order of October 3, 1942, but it is evident that the intent of Congress was to the contrary.

And let us remember that while the Congress deemed the so-called authority to issue such order absolutely nonexistent, those promulgating the regulations on this salary question made violation of those regulations a crime against the laws of the United States by tying violation of the regulations into the penalties invoked for violation of the act itself.

It is common talk, and seemingly commonly accepted, that the salary limitations in the Executive order were forced upon the President as the trading price of certain groups who otherwise were unwilling to comply wholeheartedly with his requests upon them for cooperation in the war effort, and that he needed their cooperation so badly that, balancing all factors, he may wisely have felt that he had no choice but to agree to attempt in good faith to comply with their demands.

In such case you would expect him, by everything we know about him, to keep his word, and in good faith go through to the utmost with such a plan.

Faced with the same alternatives, you or I, as President, put on the spot at a given moment, might have felt compelled to make the same concession.

Upon none of us, however, as Congressmen, rests any similar obligation. We are under no duty to the President, or to the groups who forced his hand, if they did force his hand, to ratify or to acquiesce in either a curtailment of the powers of Congress, or an economic policy of class warfare which we think is fundamentally unsound.

And upon those of us who count ourselves as personal supporters of the President, if we suspect that the President's hand was so forced, then there exists a duty not to back him up in a situation forced upon him, but to back him up by taking him off a spot by refusing to go along with the concession forced upon him.

Perhaps we might be doing the Chief Executive a service by refusing, in our independent power, to approve a yielding which may have been regretted when it was made, even while it was being accepted as inescapable.

This great and fundamental issue of the division of powers between the executive and the legislative branches is the only issue here today. We should not abandon it. It should be our lode-star in this debate. The incidental and irrelevant issues presented fade into insignificance. But if it is necessary to answer some of the claims and side-issues that are bruited about, let us look into them cursorily.

The well-known Washington columnist, to whom I have referred, opposes section 4, but his reasoning is curious and some of his language is interesting. He says:

The President's order has only fragile support in law and is of little, if any, economic value in controlling inflation. It was adopted for moral and political reasons, in the belief that it was unjust or impracticable to hold ceilings on wages without imposing ceilings on salaries and income from other sources.

But, after this statement, he concludes that section 4 would be a body blow to inflation control. Such admissions far out-balance the criticisms. If the order has only fragile support in law and is of little, if any, value in controlling inflation, and if it was adopted for moral and political reasons, then the arguments and the claims that the Executive order's correction must be sound. Anything in an act that has only fragile support in law, and little, if any, value in controlling inflation should be corrected, made legal if illegal, and the judges of the moral and political reasons are the representatives of the people, who write the laws. I shall refer further to the matter of the effect of section 4 on inflation control, but at this point, I state it flatly that the correction made in section 4 carries little, if any, danger to inflation control because that is not what is involved.

This hue and cry about inflation control is a smoke screen drawn up to hide the illegality of the order and the flagrant violation of the intent of Congress in the promulgation of the order.

This whole thing is monstrous, when we consider the welfare of the average American citizen and the way this trifles with his rights and his liberties. Listen to section 11 of the act from which this Executive order was promulgated:

Any individual, corporation, partnership, or association willfully violating any provision of this act, or of any regulation promulgated thereunder, shall, upon conviction thereof, be subject to a fine of not more than \$1,000, or to imprisonment for not more than 1 year, or to both such fine and imprisonment.

A violation of this act or any regulation thereunder becomes a crime.

Would this not require the Chief Executive to be most meticulous in the promulgation of an order that makes an American citizen a criminal in its violation? The President in his letter to Chairman DOUGHTON stated that the Attorney General had attested the legality of the Executive order. The Attorney General has furnished a copy of his opinion. It reads:

OCTOBER 3, 1942.

The PRESIDENT,

The White House.

MY DEAR MR. PRESIDENT: I have examined the proposed Executive order "Providing for the stabilizing of the national economy" submitted to me today. It has my approval as to form and legality.

Sincerely yours,

FRANCIS BIDDLE,
Attorney General.

This is one of the great legal opinions of all time.

Now, I appeal to you as lawyers and judges. The proviso upon which the President's authority rests reads:

He may—

without regard to the limitation contained in clause (2) adjust wages and salaries to the extent that he finds necessary in any case to correct gross inequities and also aid in the effective prosecution of the war.

This issue had been presented to the Congress and several times it had been rejected. If there are those who claim this language gives the President such authority, they were very quiet about it at the time of the passage of the bill. A reasonable reading of this proviso does not admit of such construction. The most controlling evidences in the construction of statutes are the reports, the debates, the hearings of the legislative bodies. Not a Representative of the Congress of the United States, not a Senator of the United States, in debate, ever contended that this language gave the President such authority. If they believed it to be true, it was their duty, in common fairness to their colleagues, to make their opinions and information known at the time of the debates on the bill.

The courts particularly take into consideration in the construction of the statutes statements made by the legislators who have studied the bill in question and who were spokesmen for the bill on the floor of Congress. What stronger use of the English language can be made than that of Mr. STEAGALL, the author of the bill, chairman of the committee from whence it came, the Member who was in charge of the bill on the floor of the House, looked upon by the House of Representatives as an authority on the subject, and depended upon by the House for advice as to the meaning of the bill.

Further recall his language before the Rules Committee when this direct issue was raised. Nobody can doubt Mr. STEAGALL's good faith. His is the language of a man in deadly earnest.

But we do not have to stop there. When the bill went to the Senate, as the record shows, and issue was joined on the floor of the Senate regarding the construction of the proviso under consider-

ation. Members of that body were interested and made numerous inquiries. They were given solemn assurances by the Member in charge of the bill that the proviso did not provide authority for the President's ensuing Executive order.

I submit to the Members of the House as lawyers and thinkers, the construction placed by the Member in charge in the Senate was the reasonable, legal, proper, and sensible construction and that that construction did not admit of the promulgation of the Executive order. He was legally correct when he stated that the committee wanted to confine the Executive to allowing increases or decreases only in those cases where great injustice would otherwise be done. He had in mind no blanket order to be issued. He had in mind specific cases where great injustice would be done. This language necessarily implies that this Senator presumed that such specific cases existed and that correction could be made. Not by the farthest stretch of the imagination can one believe that he contemplated the power exercised in the Executive order.

Here, let me emphasize: The Rules Committee was satisfied with Chairman STEAGALL's explanation. The House was satisfied with Chairman STEAGALL's explanation and his construction of the proviso. His statements are as much a part of this law as the language of the bill itself; for it must be construed from them. The Senate was satisfied with Senator Brown's construction of the section after the most searching inquiries—and the proffered amendments were not voted.

So, we find that the chairman of the Banking and Currency Committee, construed it, the Rules Committee construed it, the House construed it. The Senate Member in charge of the bill construed it and the Senate construed it, but we have no written opinion from the Attorney General which approaches the dignity of what is known as a legal discussion of this controverted issue.

REGULATIONS CONCLUSIVE—NO APPEAL

All down the Anglo-Saxon history the people have been fearful of their right to appeal to their courts for redress. We as their representatives should respect and maintain those rights of the people. That is not only our prerogative, but our positive constitutional duty. If America is bankrupt of tough-minded men in her Congress, then we are witnessing the destruction of the Republic. How far afield we have gone is most graphically illustrated in this excerpt from the section of the regulations under the President's Executive order dealing with the Salary Stabilization Unit:

Any such determination of the Commissioner is final and not subject to review by the tax court of the United States or by any court in any civil proceedings. Nothing herein is intended, however, to deny the right of any employer or employee to contest in the tax court of the United States or in any court of competent jurisdiction the validity of (1) any provision of these regulations, on the ground such provision is not authorized by law, or (2) any action taken or determination made under these regulations, on the ground that such action or determination is

not authorized, or has not been taken or made in a manner required by law.

And that determination to punish by directive and to give regulations the force in effect of law continues in the regulations. It blooms and flowers in the section entitled Criminal Penalties on page 18 of the Salary Stabilization Unit regulations, which reads as follows:

Section 5 (a) of the act provides in substance that no employer shall pay, and no employee shall receive, any salaries in contravention of the regulations promulgated by the President under the act. Section II (c) of the act provides that any person, whether an employer or employee, who willfully violates any provision of the act or of any regulations promulgated thereunder, shall be subject, upon conviction, to a fine of not more than \$1,000, or to imprisonment for not more than 1 year, or to both such fine and imprisonment.

Verily, verily, contravention of the regulations promulgated by the President under the act are to be avoided like the pestilence that walketh at noonday—and that here in America! A criminal penalty for the violation of a regulation which has not one vestige of authority in law, not one assent of Congress! A regulation, which according to Mr. Lindley, "has only fragile support in law and has little, if any, economic value in controlling inflation." A regulation adopted for morale and political reasons!

OTHER PENALTIES

The provisions of the regulations which become effective if an examining agent of the Bureau of Internal Revenue disagrees with the interpretation of the facts made by the employer provide exceedingly high penalties. In the example of a newly appointed head of a department, he had received \$6,000 a year. If the revenue agent determines that this man is not actually the head of the sales department—and such decisions may be made by any examining agent—that the decision with respect to the facts cannot be challenged. As a result of such a decision, the employer is in violation of the Presidential Executive order and of the regulations issued thereunder. As a result of this violation, the entire salary paid is lost as a "necessary business expense" and the employer, in addition to having already paid the \$6,000 and deducted it from his gross income finds that this \$6,000 is placed in the top bracket of taxable income. The excess profits tax on this \$6,000 is \$5,400. The salesman who received this salary has paid a tax of about \$992. Disallowance of this salary raise, therefore, has resulted in the Government receiving \$6,392 in taxes. If you remember that there is a \$1,000 fine on the employer for having violated the regulations, the total cost to the employer for doing what he considered proper is \$12,400. There is the \$6,000 salary, which has been paid, \$5,400 taxes, and the \$1,000 fine. Of course, the employer making the payment to the new head of the department is likewise susceptible to spending a year in jail. In my opinion, that is too high a penalty to exact for a difference of opinion between the examining agent and the employer as to whether or not this man

is entitled to be paid as are all other employees in the same class of service.

And under the regulations, the decisions of fact are conclusive. The only appeal is on the law.

The argument about inflation is a smoke screen to defeat the correction of the Executive's overstepping of power; this superimposing of a regulation over, above, and in addition to the letter and intent of the law. This argument should be brushed aside.

But I reassert that there exists controls so powerful that the inflation threat cannot possibly be a factor under section 4.

First. Ordinary business acumen would prevent the undue raising of salaries. Businessmen know this war is going to end some time, and they do not want to be confronted with high salaries when hard times come. Sound business methods require it. It is being practiced every day all over the land. We must remember that the National Labor Relations Board was established because of the claim employers would not raise salaries or pay sufficient salaries. The labor relations law was designed to compel them to raise salaries. They have resisted the urge to raise wages and salaries. But the Executive order requires them to go hat in hand to the stabilization unit for raises in some instances, and they are afraid to make raises in wages in others without consent of that unit. The whole thing is a hodge-podge that Congress never intended and never passed into law.

Second. The renegotiation law is so stringent, so broad, so far reaching, that, as the committee report states, it gives the power of life or death to the company with a Government contract, and most contracts now relate to Government business. The renegotiation law does not stop with the prime contractor but goes through to the subcontractor. Renegotiation goes into every element of every contract, including salaries.

Third. Treasury Decision 5000 gives the Treasury the most ample authority to deduct unreasonable salary raises and what constitute unreasonable wages. The Department has its remedy which is explained in detail in the report, by the deduction from business expenses of the unreasonable salary and the levying of taxes on the salary itself.

These controls are real, they are not imaginary as any company which is being renegotiated by the Army, the Navy, the Maritime Commission, or the Treasury can testify.

But the control does not stop there.

In addition to the above-mentioned controls, there is the control which the Secretaries of the Armed Services can exert over contractors pursuant to the provisions of TD-5000 of the Internal Revenue Code which provide for the recapture of excessive profits on contracts for naval vessels and Army and Navy aircraft, and which includes all subcontractors for those producers. In determining the amount of moneys which may be received for performance of these contracts the Secretaries are required to determine the percentages of total contract prices for the construc-

tion and manufacture of the articles purchased to the costs of producing those articles. In determining these prices the services are required to determine what are the costs of performing contracts and subcontracts. One of the elements of cost is that of general expenses. A specific subsection of section 26.9 of this TD-5000 says:

Unreasonable compensation: The salaries and compensation for services which are treated as a part of the cost of performing a contract or subcontract include reasonable payments for salaries, bonuses, or other compensation, for services. As a general rule, bonuses paid to employees (and not to officers) in pursuance of a regularly established incentive bonus system may be allowed as a part of the cost of performing a contract or subcontract.

The test of allocability is whether the aggregate compensation paid to each individual is for services actually rendered incident to, and necessary for, the performance of the contract or subcontract, and is reasonable. Excessive or unreasonable payments whether in cash, stock, or other property ostensibly as compensation for services shall not be included in the cost of performing a contract or subcontract.

This section 26.9 states:

(a) General rule: That the cost of performing a particular contract or subcontract shall be the sum of (1) the direct costs, including therein expenditures for materials, direct labor and direct expenses, incurred by the contracting party in performing the contract or subcontract; and (2) the proper proportion of any indirect costs (including therein a reasonable proportion of management expenses) incident to and necessary for the performance of the contract or subcontract.

It can readily be seen therefore from a comparison of these two provisions that these officers may reduce the cost of performance of any contract if salaries paid to employees of the contractor are unreasonable or excessive.

CONTROLS NOT GENERALLY EXERCISED

It has become a type of established dogma lately to accept the general idea that the Stabilization Unit under the President's order requires the consent of the Stabilization Unit to any salary raise. We have the impression that every salary raise for a stenographer, clerk, or executive must be passed on by the Stabilization Unit. This does not even remotely conform to the facts. The regulations—section 1002.14—expressly provide that the Commissioner's approval is not required for, first, individual promotions or reclassifications; second, merit increases; third, length of service increases; fourth, incentive plan increases; and fifth, trainee system increases, if the raise is made in accordance with the terms of a salary agreement or salary rate schedule in effect on October 3, 1942. Practically every company of any size or responsibility in the United States has a salary rate schedule, which need not even be in writing. In that event, the company need not secure the approval of the Stabilization Unit. So I reiterate that in the vast majority of instances the Stabilization Unit itself is not exercising any control.

Under our system a man gets a higher salary for assuming additional responsibilities. Even in the armed forces, the

higher the responsibilities the higher the salary. I cannot believe the President was in earnest when he suggested that a gross inequity existed when men were drawing high salaries in civil life and the boys in the armed forces a pauper \$600. The generals whom assume the greatest responsibilities have salaries that range from \$8,000 to \$13,000 and officers of lesser rank and less responsibilities correspondingly high salaries. Each according to his responsibilities.

That is true even in the labor unions from whence we are wont to hear criticism of high salaries paid to executives. Of course, we do not know in detail because the information is not public, but we do know that men like John L. Lewis, William Green, Phillip Murray, and Dan Tobin receive upwards of \$20,000 to \$50,000.

Minor executives whose salaries would be under control of the \$25,000 net limitation, occupy an important position in this war effort. They are the men who have made the industrial machine produce the guns, tanks, planes, and ammunition. What is it that we have that the Axis does not? High octane gas produced by high salaried research men; new explosives, new developments in planes, tanks, guns, the Garand rifle, the American bombsight. All, I say, produced by the minor executive, who, if he is of such value, is entitled to a salary raise without his employer coming to Washington, hat in hand, to get the acquiescence of some department.

The President's letter to "coupon clippers." That is an old slogan, but I call your attention that the Treasury is putting on drive after drive to add to the number of "coupon clippers." Must each bond buyer be branded with the political slogan "coupon clippers"? America cannot agree.

Salaries after Pearl Harbor are necessarily geared to the war effort, especially since practically all important business being done since then is war business and, in my opinion, the Government has an interest in seeing that we have a proper salary ceiling, but I do not agree in salary confiscations. War millionaires in this war will be practically unknown. Our committee says:

NO WAR MILLIONAIRES

This has been a popular slogan since World War No. 1. Since World War No. 1 there has been a commonly accepted determination in America that another war should not permit the growth of a crop of so-called war millionaires. Congress has made the amassing of large fortunes as a result of World War No. 2 practically impossible.

The rates on personal incomes in excess of \$200,000 under the 1942 act are fixed at 88 percent, and the 5 percent Victory tax—with a ceiling of 90 percent. There are State taxes, also. In addition, the same act imposes extremely high excess-profits taxes on corporations, with the avowed purpose of preventing the accumulation of swollen corporate profits and in turn effectively prevents excessive personal profits.

The Renegotiation of Contracts Act passed last year is a further hedge against excessive corporate profits, and, in turn, personal profits. The War Department, Navy Department, and Maritime Commission, as well as the Treasury Department have the very widest latitude under this law to renegotiate

every contract made with the Government for war purposes. This authority even extends to subcontracts made by the prime contractor. Under the provision of this act, these Departments may, if they choose to be tyrannical, bankrupt practically every contractor who does business with the Government so wide is their latitude. If these Departments exercise reasonable diligence under the Renegotiation Act, there can be no possibility of a crop of "war millionaires." The features these Departments must consider are (a) reasonableness of salaries, (b) amount of reserves which should be permitted corporations, and (c) the ratio of war contract profits to peace contract profits.

In addition to this power of the executive departments, the Treasury has plenary power in the matter of deductions for business expenses which include salaries, and has the power to exclude unreasonable salaries. This power has been steadily exercised by the Treasury.

This amendment made by section 4 to the Anti-Inflation Act of 1942 will be another provision of law which, together with those mentioned, will operate to avoid excessive profits being made in World War No. 2, because the amendment has the effect of freezing large salaries at pre-war peacetime levels. At the same time, the amendment recognizes the importance to the American way of life of preserving incentive by not prescribing salary increases where the salary is less than \$25,000 after taxes.

This section provides a method of salary limitation by law rather than by directive. It does not admit of confiscation or liquidation of incomes. This provision offers an orderly, legal process.

Mr. Chairman, this stupendous issue is the age old contest between executive and legislative power—between the people's representatives and the people's rulers. All down Anglo-Saxon history it has been waged, and the people's representatives have always won. In instances where they failed the people, the people chose themselves new representatives, new guardians of the people's liberties. The ancient civilizations of the world in turn flourished, gradually declined and disintegrated. They broke upon the rock of centralized regal or executive power. Stalwart parliaments have preserved representative government during modern Anglo-Saxon history. The battle has not gone to the adroit, the entrenched, and powerful, but to the valiant, the strong-willed, the stout-hearted. Government by directive is not in their category. Mr. Chairman, in conclusion, let us take the larger view; above the mists and fogs of personality and political frenzy.

American freemen are streaming to the four corners of the earth, streaming to every theater of war. Each a crusader for the American way of life. Each consecrated to its ideals. Each resolved to return and protect that system at home. Shall that American way be defended abroad by force of arms and lost by the attrition of arbitrary power at home?

No; let our soldiers return to their land of opportunity to find their land of opportunity unimpaired. Let the deep tread of these returning heroes press the same soil they saved, intact. Let their war flags still symbolize what they fought for and defended—a government of law, not a government of men.

Taking the Milk From the Babies

EXTENSION OF REMARKS

OF

CLARE E. HOFFMAN

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Friday, March 19, 1943

Mr. HOFFMAN. Mr. Speaker, the A. F. of L. teamsters of Port Huron, Mich., in order to collect initiation fees, dues, and force the drivers of vehicles delivering milk into their union, are willing to deprive the babies of Port Huron of their milk.

The union insists that the employers force their employees into the union or else quit delivering milk. That would be a violation of the N. L. R. A. How the drivers feel about it is shown by the following from the Port Huron paper:

"NOTHING ELSE WE COULD DO," SPOKESMAN STATES

Drivers for dairy firms in Port Huron said today they regret they were forced to suspend delivery of milk.

In their temporary headquarters at 508 Huron Avenue, they told why they took the action they did. "We didn't figure there was another thing we could do," said Clarence Smith, their spokesman.

"It hurts me to deprive the people of their milk," William Duncanson, who has delivered for Babcock's Dairy Co. 16 years, declared.

Why, then, did they refuse to make deliveries today?

Smith answered the question.

He charged that representatives of the American Federation of Labor teamsters' union had attempted to organize the drivers by bringing pressure on their employers, the dairymen. He said the drivers were perfectly satisfied with present conditions and that they would not benefit by joining the union.

On the other hand, he said, the public would suffer if they did join the union.

Smith said drivers of the dairy firms decided a month ago that they would continue to work, hoping the union would recognize that they were satisfied with existing conditions and drop its organization efforts.

He pointed out that the drivers work on a commission basis and that their incomes are comparable to those of men working in war plants. He said that to cover their routes some of the drivers often work well into the night.

"We're satisfied with our wages," he said. "As for working hours—if we were limited to a certain working schedule the people would not be served."

"During the snowstorms we had recently, some of us worked until 10 or 11 p. m. to deliver milk," Clarence Ogden, who has delivered for the Wurzel Dairy Co. 12 years said. "If we'd been in the union, we couldn't have done it."

Thomas Odom, who has driven a milk truck for Bailey's Jersey farm dairy 7 years said relations between dairymen and their employees have always been cordial. "When anything happens we think should be adjusted, we can go to our bosses and say, 'Here John,' or 'here, Mike,' and get satisfaction. We've never had any trouble we couldn't settle among ourselves."

Smith said he and his fellow drivers intend to stay off the job until the union quits its effort to unionize them.

March

Mar. 23, 1943

No. 51

-3-

20. Farm labor; parity formula. Agriculture and Forestry Committee reported without amendment H. R. 1408, to amend the Agricultural Adjustment Act of 1938 and the Agricultural Marketing Agreement Act of 1937 so as to include the cost of all farm labor in determining parity prices of agricultural commodities (S. Rept. 130) (p. 2362). Sens. Smith, S. C., and Barkley, Ky., indicated that the bill will probably be taken up Thurs. (p. 2362).
21. Incentive payments. Received an Ontonagon County (Mich.) Rural Electrification Association resolution favoring incentive payments to increase food production (p. 2356).
22. Food production. Military Affairs Committee reported without amendment S. J. Res. 71, providing for awards of honor for agricultural production (S. Rept. 132) (p. 2362).
Sen. Capper, Kans., inserted a petition from a group of farmers urging soil conservation, commodity loans at parity, parity payments only if prices are not obtainable by other methods, crop insurance, A. A. A. acreage allotments when necessary, decentralization of authority, less red tape and forms, and a "fair income" for farmers (p. 2362).
Sen. LaFollette, Wis., inserted a letter from the Acting Governor of Wis. and the recommendations of the Governors' Conference that agriculture be recognized as a war industry, that essential farm labor be deferred, that more farm machinery and fertilizer be provided, and that appropriations be provided for recruitings, transporting, and training farm labor (p. 2366).
Sen. Shipstead, Minn., inserted a statement by Minn. Dairy Industry Committee opposing farm-price ceilings, farm-labor and price subsidies; and "directives and misdirectives" (pp. 2367-68).
23. Debt limit. Passed as reported H. R. 1780, to increase the U. S. debt limit to \$210,000,000,000 and to nullify the President's \$25,000 salary-limitation order (pp. 2369-86). Senate conferees were appointed (p. 2386).
24. Rural electrification; bureaucracy. Sen. Moore, Okla., inserted a Treasury advertisement stating that farmers "can start now buying rural electrification ... through purchase of War bonds," charging that the Treasury has no authority "to represent to the purchasers of War bonds that the proceeds... will be used for rural electrification; and criticized "bureaucracy" and "administrative bungling" (pp. 2383-85).
25. Treasury-Post Office appropriation bill. Sen. Tydings, Md., requested consideration of this bill, H. R. 1648, but at the suggestion of Sen. McNary, Oreg., the bill was postponed until Thurs. (p. 2386).
26. Rationing. Sen. Lodge, Mass., discussed fuel-oil and gasoline rationing problems (p. 2367).
27. Nomination. Received the nomination of Tom C. Clark, Tex., to be Assistant Attorney General, vice Thurman Arnold resigned (p. 2412).
28. Adjourned until Thurs., March 25 (p. 2412).

-4-
BILLS INTRODUCED

29. Minerals. By Sen. McNary, Oreg., S. 904, and Rep. Ellsworth, Oreg., H.R. 2279, to provide that certain lands in Oreg., may be opened for location and entry under the mining laws. To Public Lands and Surveys Committee. (p. 2362)
30. Price control. By Sen. Downey, Calif., S. 908, to further the national defense and security by checking speculative and excessive price rises, price dislocations, and inflationary tendencies. To Banking and Currency Committee. (p. 2362.)
31. Selective service; taxation. By Sen. Nye, N. Dak., S. 911, to exempt from taxation so much of the compensation of personnel in the armed forces as does not exceed \$2,000. To Finance Committee. (p. 2363.)
32. Farm credit. By Sen. Wherry, Nebr., S. 914, to provide for the orderly liquidation and dissolution of the regional agricultural credit corporations; to repeal the laws authorizing their creation by the RFC; and to restore to the U. S. Treasury the funds subscribed by the U. S. or by the RFC to the capital of such corporations, thereby strengthening the credit of the Government, reducing its nonessentail expenditures, contributing to the present manpower problem through a reduction in the number of Government employees resulting in a substantial contribution to the war effort. To Banking and Currency Committee. (p. 2363.)
33. Post-war planning. By Sen. Kilgore, W. Va., S. Con. Res. 10, requesting the President to invite foreign governments to send representatives to attend an international constitutional convention charged with the duty of drafting a constitution. To Foreign Relations Committee. (p. 2363.)
34. Taxation. By Rep. Forand, R. I., H. R. 2277, to provide for the payment currently of basic tax on individuals. To Ways and Means Committee. (p. 2447.)
35. Transportation. By Rep. Culkin, N. Y., H. R. 2278, Rep. Pittenger, Minn., H. R. 2280, and Rep. Wasielewski, Wis., H. R. 2284, to provide for the improvement of the Great Lakes-St. Lawrence Basin in the interest of national defense. To Rivers and Harbors Committee. (p. 2447.)
36. War mobilization. By Rep. Tolan, Calif., H. R. 2285, to establish an Office of War Mobilization, To Military Affairs Committee. (p. 2447.)
37. Civil service. By Rep. Weiss, Pa., H. J. Res. 104, to prohibit discrimination in hiring because of age. To Judiciary Committee. (p. 2447.)

ITEMS IN APPENDIX

38. Food production. Extension of remarks of Sen. Copper, Kans., stating that Secretary Wickard should be "given authority as well as title and responsibility" and inserting former President Hoover's address to the Mid-West Governors' Conference, discussing the food shortage and its effects (pp. A1455-57).
 Extension of remarks of Rep. Thomas, Idaho, including a constituent's letter criticizing "the unwise policies of stripping the farms of men skilled in agriculture" (p. A1477).
 Rep. Cunningham, Iowa, inserted an article by Lou Gardner reporting on the Governors' midwest agricultural conference (pp. A1439p90).

The ACTING PRESIDENT pro tempore. Is there objection to the present consideration of the joint resolution?

There being no objection, the joint resolution (H. J. Res. 100) extending the time within which certain acts under the Internal Revenue Code are required to be performed was considered, ordered to a third reading, read the third time, and passed.

CALL OF THE ROLL

Mr. GEORGE. Mr. President, it is my purpose to move that the Senate take up House bill 1780, a bill to increase the debt limit of the United States, and for other purposes. The majority leader has requested, however, that the presence of a quorum be ascertained before motion is made to take up the bill. Therefore, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Alken	Hatch	Radcliffe
Austin	Hawkes	Reed
Bailey	Hayden	Revercomb
Ball	Hill	Reynolds
Bankhead	Holman	Russell
Barkley	Johnson, Calif.	Scruggam
Bone	Johnson, Colo.	Shipstead
Brewster	Kilgore	Smith
Brooks	La Follette	Stewart
Buck	Langer	Taft
Burton	Lodge	Thomas, Idaho
Bushfield	Lucas	Thomas, Okla.
Butler	McCarran	Thomas, Utah
Byrd	McClellan	Tobey
Capper	McFarland	Truman
Caraway	McKellar	Tunnell
Chavez	McNary	Tydings
Clark, Mo.	Maloney	Vandenberg
Connally	Maybank	Van Nuys
Danaher	Mead	Wagner
Downey	Milliken	Wallgren
Ellender	Moore	Walsh
Ferguson	Murray	Wherry
George	Nye	White
Gerry	O'Daniel	Wiley
Gillette	O'Mahoney	Willis
Green	Overton	Wilson
Gurney	Pepper	

Mr. HILL. I announce that the Senator from Florida [Mr. ANDREWS] and the Senator from Virginia [Mr. GLASS] are absent from the Senate because of illness.

The Senator from Kentucky [Mr. CHANDLER] is out of the city on official business for the Committee on Military Affairs.

The Senators from Mississippi [Mr. BILBO and Mr. EASTLAND], the Senator from Pennsylvania [Mr. GUFFEY], the Senator from Idaho [Mr. CLARK], and the Senator from Utah [Mr. MURDOCK] are detained on important public business.

The Senator from Montana [Mr. WHEELER] is necessarily absent.

Mr. McNARY. The Senator from Pennsylvania [Mr. DAVIS] is absent on important public business.

The Senator from New Jersey [Mr. BARBOUR] is necessarily absent.

The Senator from Wyoming [Mr. ROBERTSON] is absent on public business.

The ACTING PRESIDENT pro tempore. Eighty-three Senators having answered to their names, a quorum is present.

INCREASE IN THE PUBLIC DEBT LIMIT— LIMITATION OF SALARIES

Mr. GEORGE. Mr. President, I move that the Senate proceed to the consideration of House bill 1780.

The motion was agreed to; and the Senate proceeded to consider the bill (H. R. 1780) to increase the debt limit of the United States, and for other purposes, which had been reported from the Committee on Finance with an amendment, on page 3, after line 7, to strike out:

SEC. 4. Effective as of October 2, 1942, section 5 of the act of October 2, 1942, entitled "An act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes," is amended, by adding subsection (d) to section 5, as follows:

"(d) No action shall be taken under authorization of this act, or otherwise, which will limit the payment of annual salaries to a maximum amount less than the greater of the following:

"(1) The annual rate of salary paid to such employee on December 7, 1941; or

"(2) An amount which after reduction by the Federal income taxes thereon would equal \$25,000."

And in lieu thereof to insert:

SEC. 4. (a) Section 4 of the act approved October 2, 1942, entitled "An act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes" (Public Law 729 of the 77th Cong.), is hereby amended, effective as of October 2, 1942, to read as follows:

"SEC. 4. No action shall be taken under authority of this act with respect to wages or salaries, (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act, or (2) for the purpose of reducing wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942."

(b) (1) Section 7 of title II, and all other provisions of Executive order No. 9250, "Providing for the stabilization of the national economy" issued October 3, 1942, and all provisions of Regulation No. 4001.9, promulgated by the Economic Stabilization Director on October 27, 1942, which are in conflict with this section are hereby rescinded; and (2) all orders, regulations, and other directives, and all decisions, promulgated or made by virtue of the said Executive order or regulation which are in conflict with this section are hereby rescinded.

So as to make the bill read:

Be it enacted, etc., That this Act may be cited as the Public Debt Act of 1943.

SEC. 2. Section 21 of the Second Liberty Bond Act, as amended, is further amended to read as follows:

"SEC. 21. The face amount of obligations issued under the authority of this act shall not exceed in the aggregate \$210,000,000,000 outstanding at any one time."

SEC. 3. Section 22 of the Second Liberty Bond Act, as amended, is further amended by adding at the end thereof the following subsections:

"(h) The Secretary of the Treasury, under such regulations as he may prescribe, may authorize or permit payments in connection with the redemption of savings bonds to be made by incorporated banks and trust companies.

"(i) Any losses resulting from payments made in connection with the redemption of savings bonds shall be replaced out of the fund established by the Government Losses in Shipment Act, as amended, under such regulations as may be prescribed by the Secretary of the Treasury. The Treasurer of the United States, any Federal Reserve bank, or any incorporated bank or trust company authorized or permitted to make payments in connection with the redemption of such bonds, shall be relieved from liability to the

United States for such losses, upon a determination by the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Treasurer, the Federal Reserve bank, or the incorporated bank or trust company. The Post Office Department or the Postal Service shall be relieved from such liability upon a joint determination by the Postmaster General and the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Post Office Department or the Postal Service. The provisions of section 3 of the Government Losses in Shipment Act, as amended, with respect to the finality of decisions by the Secretary of the Treasury shall apply to the determinations made pursuant to this subsection. All recoveries and repayments on account of such losses, as to which replacement shall have been made out of the fund, shall be credited to it and shall be available for the purposes thereof. The Secretary of the Treasury shall include in his annual report to the Congress a statement of all payments made from the fund pursuant to this subsection."

SEC. 4. (a) Section 4 of the act approved October 2, 1942, entitled "An act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes" (Public Law 729 of the Seventy-seventh Congress), is hereby amended, effective as of October 2, 1942, to read as follows:

"SEC. 4. No action shall be taken under authority of this Act with respect to wages or salaries, (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act, or (2) for the purpose of reducing wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942."

(b) (1) Section 7 of title II, and all other provisions of Executive Order Numbered 9250, "Providing for the stabilization of the national economy" issued October 3, 1942, and all provisions of Regulation Numbered 4001.9, promulgated by the Economic Stabilization Director on October 27, 1942, which are in conflict with this section are hereby rescinded; and (2) all orders, regulations, and other directives, and all decisions, promulgated or made by virtue of the said Executive order or regulation which are in conflict with this section are hereby rescinded.

Mr. LANGER. Mr. President, a parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senator will state it.

Mr. LANGER. Is the committee amendment the section which refers to the \$25,000 salary limitation promulgated by the President?

Mr. GEORGE. Yes.

Mr. LANGER. When the time comes I wish to speak against that amendment.

Mr. GEORGE. Mr. President, it is unnecessary, I think, to call the attention of the Senate to the main feature of the bill, which is to increase the debt limit of the United States. The present debt limit is \$15,000,000,000. That is to say, under the terms of the present Debt Limit Act only \$125,000,000,000 may be outstanding at any one time. The bill proposes to increase the debt limit to \$210,000,000,000, and also to amend section 21 of the Second Liberty Bond Act, as amended, so as to authorize the increase.

There are two other minor provisions in the bill as it comes from the House. They are to be found in subparagraphs (h) and (i) on page 2 of the bill. They

are made necessary by virtue of the fact that as the sale of bonds constantly increases, the redemption of bonds may likewise increase. The Treasury desires to have the assistance of chartered banks and trust companies in redeeming the bonds, and desires to compensate the banks and trust companies, which may act as clearing houses for the redemption of bonds.

It will be recalled that the Treasury will find it necessary greatly to increase bond sales early in April. At the present time the \$125,000,000,000 debt limit is very nearly reached. That is to say, outstanding bonds absorb the borrowing power with the exception of approximately \$6,000,000,000. Early in April it will be necessary for the Treasury to increase the debt by some \$14,000,000,000. An increase of \$14,000,000,000 would therefore exceed the existing debt limit of \$125,000,000,000.

It will also be recalled that in the Budget and in the message of the President it was stated that the national debt would stand at approximately \$135,000,000,000 at the end of the current fiscal year, and that it was contemplated that the national debt would stand at approximately \$210,000,000,000 by the end of the next fiscal year—that is, by July 1, 1944. Therefore, the bill would authorize an increase in the debt limit from \$125,000,000,000 to \$210,000,000,000.

The House inserted section 4 in the bill, and by unanimous action of the Senate Finance Committee section 4 was stricken and a substituted section 4 was adopted. I should say that on the motion to report the bill to the Senate the action was not unanimous on reporting the new section 4. The distinguished junior Senator from Pennsylvania [Mr. GURFEY] registered his vote against it, on the ground, as he explained, that the matter embraced in section 4 should not be contained in the bill.

Mr. President, I take it that the only controversial feature in the bill is section 4. The Senate committee substitute for the so-called Disney amendment contained in the original section 4 of the bill begins at line 21 on page 3 and continues to the end of the bill. As the Finance Committee interpreted the Disney amendment, it was thought that that amendment, dealing only with salaries and not with wages, would limit the power of the President to place limitations upon any increases in salaries after December 7, 1941, until the salary reached approximately \$25,000 after taxes, or until the salary reached the level of approximately \$67,200. Under our present revenue laws an earned income of \$67,200 will result, after the payment of Federal taxes, in a balance to the taxpayer of approximately \$25,000.

So interpreting the so-called Disney amendment, offered in the other House by the distinguished Representative from Oklahoma, the Senate Finance Committee was of the opinion that no limitation or prohibition should be placed upon the power of the President and the Stabilization Administrator to limit increases in salaries above the base fixed in the Stabilization Act.

The Senate Finance Committee was also of the opinion that December 7, 1941, having in fact no actual or legal relation to the act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes, the base wage or salary level, below which there should be no reduction, should be related to the period fixed in the act itself. So section 4 of the act as amended by the Finance Committee is as follows:

No action shall be taken under authority of this act with respect to wages or salaries, (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act, or (2) for the purpose of reducing wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942.

That is the language in the act to which I have referred as the Stabilization Act.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. VANDENBERG. I invite the Senator's attention to what is obviously a typographical error in line 7, section 4, page 4, which might well be corrected before we forget it. Instead of the words "reducing wages or salaries," the language in the print is "reducing wages or salaries." I suggest that the Senator ask for a correction of the typographical error.

Mr. GEORGE. I was reading from the committee report on the bill, which is correct. I ask unanimous consent that on page 4, in line 7, of the printed bill, "reducing" be changed to "reducing."

The ACTING PRESIDENT pro tempore. Without objection, the correction will be made.

Mr. GEORGE. Mr. President, section 4 is the exact language found in the act approved October 2, 1942, namely, the Emergency Price Control Act of 1942. The Senate Finance Committee merely stopped at that point and eliminated the proviso in the law as it was passed last year. That provision reads as follows:

Provided, That the President may, without regard to the limitation contained in clause (2), adjust wages or salaries to the extent that he finds necessary in any case to correct gross inequities, and also aid in the effective prosecution of the war.

I believe I may say, Mr. President, that it was the judgment of the majority of the Finance Committee—and I certainly have no hesitancy in saying that it is my best opinion—that this provision did not authorize, and cannot be fairly construed to authorize the wholesale or general reduction of salaries or wages below the level which wages or salaries reached during the period fixed in the act, to wit, between January 1, 1942, and September 15, 1942. That, Mr. President, is itself a definite limitation upon the power of the Administrator to affect wages or salaries. However, the proviso did authorize some action by the Administrator within the limitation itself, which the act had already prescribed, to wit—

for the purpose of reducing wages or salaries for any particular work below the highest

wages or salaries paid therefor between January 1, 1942, and September 15, 1942.

That itself, as I have said, is a definite limitation upon the power of the Administrator. But if I may use somewhat involved language, the proviso is an authorization for affirmative action within the limits of that limitation. It was the judgment of your committee, and, as I have already said, it seems to be undoubtedly sound, that no authority generally to reduce all salaries was contemplated or given by the act. That interpretation harmonizes with statements made on the floor of the Senate by the distinguished former Senator from Michigan, Mr. Brown, in charge of the emergency price-control bill of 1942, when he assured the Senate that it was not intended by the bill to authorize a general reduction of salaries, and in fact that no provision of the bill did so.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. BARKLEY. Inasmuch as the Senator may not have read the debate recently, I think his attention should be called to the response of the then Senator from Michigan, Mr. Brown, who was in charge of the bill, to a question propounded by his colleague the senior Senator from Michigan [Mr. VANDENBERG] as to whether the bill, or any part of it, authorized a general decrease in all incomes. Mr. Brown stated that in his judgment it did not authorize a decrease in all incomes. It seems that an effort has been made to draw a distinction between incomes and salaries which are specifically mentioned in the law. It is my recollection that in reply to the question former Senator Brown confined his denial to the authority of the bill to authorize the President to reduce all incomes, but not necessarily salaries. I do not wish to get into a controversial interpretation on that point.

Mr. GEORGE. I thank the Senator for calling it to my attention; but, with all due respect, the bill then before the Senate did not deal with incomes at all except income arising from wages and salaries. Therefore, when the question was propounded to the distinguished former Senator from Michigan he could have referred only to incomes derived from wages and salaries. It was his view, it would seem, that the authority to reduce salaries and wages was confined, in any event, to specific instances on narrow classes. The distinguished Member in charge of the bill on the floor of the House of Representatives committed himself precisely as I have just stated.

Mr. President, since the bill dealt only with salaries and wages, it would have been a perfectly idle question to ask whether or not the bill authorized a reduction in all incomes. That was not the subject matter of the price-control bill. That bill gave to the Administrator the authority to fix ceilings on wages and salaries, and on farm products under certain conditions. That was the sole purpose of the legislation.

When one reads section 4, which is the existing law, or so much of it as the Sen-

ate Finance Committee recommends the reenactment of, it seems perfectly clear. It is as follows:

No action shall be taken under authority of this act with respect to wages or salaries, (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act, or (2) for the purpose of reducing wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942.

The act contemplated the fixing of salaries for particular work, and, correctly read, it meant only one thing, namely, that the rate of wages or the rate of salary could not be reduced below the level reached by the wage or salary during the period from January 1, 1942, to September 15, 1942. Therefore the Finance Committee was of the opinion that no general authority to reduce all salaries above a certain level had been intended by the act or was, in fact, granted by the act.

I say that, Mr. President, by way of explaining the reason why the Senate Finance Committee recommended the elimination of the proviso which I have already read.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. TYDINGS. Will the Senator inform me what would be the effect in the following instance: Suppose the president of a concern died last month and suppose the vice president became the president; under the committee amendment would the vice president be entitled to receive the same salary the deceased president had received, assuming that it was above the limitation fixed in the bill?

Mr. GEORGE. Mr. President, that is a matter which the committee thought was beyond its jurisdiction. The committee was very well satisfied with the rules and regulations which had been adopted by the Treasury Department and by the Commissioner of Internal Revenue. The committee did not, in the first instance, when this bill was originally introduced, suggest any change in section 4 of the Price Stabilization Act; but the House, having rewritten section 4 providing that no salary should be reduced below the level of the salary as of December 7, 1941, and also providing that no limitation should be placed upon any increase of any salary until it reached approximately \$67,200, the Senate committee rewrote the provision which the House itself had rewritten and had included in the bill.

Mr. President, I do not think that a lengthy argument upon this matter is called for. The other provisions in section 4 following the one referred to are simply intended to make it entirely clear that no action taken by the Executive in a specified Executive order or taken by the Economic Stabilization Director in a numbered regulation would be continued, thereby resulting in some confusion.

The whole question is covered in section 4 of the bill, which is made effective as of the date of the passage of the

Wage Stabilization Act, that is October 2, 1942, and reads as follows:

No action shall be taken under the authority of this act with respect to the wages or salaries—

Reading the second part only which is in controversy—

or (2) for the purpose of reducing wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942.

Mr. VANDENBERG. Mr. President, will the Senator yield?

The ACTING PRESIDENT pro tempore. Does the Senator from Georgia yield to the Senator from Michigan?

Mr. GEORGE. I am pleased to yield to the Senator from Michigan.

Mr. VANDENBERG. I should like to ask the Senator from Georgia, if this would be a fair statement of the situation which results from the Senate committee amendment: In cleaning up the illegal action taken under the Executive order, is it not a fact that the Disney amendment, as adopted by the House, left certain discriminations in favor of salaries as against wages, and that the amended bill, as now presented by the Senate Finance Committee, removes all discriminations, and all chance of a charge of any discrimination as between the treatment of wages and salaries, and puts both of them on the same level under the original terms of the Price Control Act?

Mr. GEORGE. The Senator is entirely correct. Both wages and salaries under this bill as amended by the Senate Finance Committee can be stopped at the level reached by the wage or salary during the period specified in the original act, but no reduction of either wage or salary is to be made which will have the effect of pulling down the wage or salary below the level of the wage or salary during the period specified in the Price Control Act.

Your committee, therefore, thought and felt, Mr. President, that, since both wages and salaries were placed upon precisely the same basis, and since it had not been the intention at least of the Congress, and as we think had not been the legitimate act of the Congress, to authorize any general reduction of wages or salaries below those levels, we recommend the passage of this bill.

Mr. DANAHER and Mr. BONE addressed the Chair.

The ACTING PRESIDENT pro tempore. Does the Senator from Georgia yield, and, if so, to whom?

Mr. GEORGE. I yield first to the Senator from Connecticut.

Mr. DANAHER. In view of the fact that when the original regulation was issued on October 27, 1942, it contained a provision to the effect that any determination of the Board should not be subject to review by the Tax Court or by any court in any civil proceedings, I feel certain that the Senator from Georgia shares the common feeling of dismay which pervaded the minds of many of us upon discerning that provision. In the light of the discussion of the subject now appearing in the Senate Finance

Committee report, would not the Senator from Georgia feel that properly the entire report might be printed in the RECORD as a part of his remarks or, at least, to follow his discussion of the bill?

Mr. GEORGE. I shall be very glad to ask that so much of the report as relates to section 4 down to the end of the report be printed in the RECORD as a part of my remarks.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

The portion of the report (No. 123) referred to is as follows:

Section 4 of the bill which was referred to the committee also contained a provision which would have the effect of prohibiting any action under the Stabilization Act of October 2, 1942, or otherwise limiting the payment of annual salaries to a maximum amount less than the greater of the following:

"(1) The annual rate of salary paid to such employee on December 7, 1941; or

"(2) An amount which after reduction by the Federal income taxes thereon would equalize \$25,000."

In lieu of this provision, the purpose of which is explained at some length in House Report No. 181 at pages 4 to 7, inclusive, the committee recommend amending section 4 of the Stabilization Act of October 2, 1942, so as to repeal the provision which served as the basis for the action taken by the President and the Economic Stabilization Director in reducing salaries to approximately \$25,000 net after payment of taxes.

The amendment recommended by the committee also provides for rescinding all provisions of Executive Order No. 9250 issued by the President on October 3, 1942, Regulation No. 4001.9 issued by the Economic Stabilization Director on October 27, 1942, and all orders, regulations, and other directives, and all decisions, promulgated or made by virtue of such Executive order or regulation, which are in conflict with section 4 of the Stabilization Act of October 2, 1942, as amended. The committee amendment also provides that it shall be effective as of October 2, 1942.

The committee amendment would have the effect of terminating, as of October 2, 1942, the authority which the Congress granted to the President by the following language of section 4 of the Stabilization Act of October 2, 1942:

"Provided, That the President may, without regard to the limitation contained in clause (2), adjust wages or salaries to the extent that he finds necessary in any case to correct gross inequities and also aid in the effective prosecution of the war."

The power of the President to reduce wages or salaries by Executive action "to the extent that he finds necessary to correct gross inequities and also aid in the effective prosecution of the war" would thus be terminated.

The balance of the language of such section 4 would remain unchanged under the committee amendment, and the section would read as follows:

"Sec. 4. No action shall be taken under authority of this act with respect to wages or salaries (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act, or (2) for the purpose of reducing the wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942."

As a result of the retention of this language, the powers granted to the President by the Congress with respect to limitations upon salary and wage increases for the purposes of the stabilization program would remain as they have been since October 2, 1942.

With regard to the effect of the amendment made by the bill to section 4 of the Stabilization Act of October 2, 1942, your committee wishes to point out that in that section, as so amended, the words "any particular work" contained in clause (2) refer to the particular work of a particular employee and not merely to a particular type of work. For example, this section, as amended, is not intended to invalidate or prohibit a wage-stabilization order establishing a maximum wage for any particular type of work, so long as exception is made allowing the payment of wages higher than such maximum wage to any particular employee for that particular type of work where such higher wages were being paid to such employee for such work at the time the order was issued.

In connection with the Executive action taken for the purposes of the stabilization program, it was brought to the attention of the committee by Senator Danaher that Regulation No. 4001.2 of the Economic Stabilization Director, issued October 27, 1942, provided that determinations of the National War Labor Board with respect to certain wage and salary payments were to be final and not subject to review. The language referred to is as follows:

"Any determination of the Board made pursuant to the authority conferred on it shall be final and shall not be subject to review by the Tax Court of the United States or by any court in any civil proceedings."

An amendment was suggested to the effect that nothing contained in the Stabilization Act of October 2, 1942, should be construed to authorize the issuance of any regulation or order denying the right of appeal or to review by any court concerning any determination, ruling, or decision where the right to such appeal or review would otherwise exist.

By Regulation No. 4001.4, issued by the Economic Stabilization Director on October 27, 1942, the Commissioner of Internal Revenue was granted authority to determine the validity of certain wage and salary payments for the purposes of the stabilization program, and the following provision is found in such regulation with respect to the determinations made by the Commissioner:

"Any determination of the Commissioner made pursuant to the authority conferred on him shall be final and shall not be subject to review by the Tax Court of the United States or by any court in any civil proceedings."

On behalf of the Treasury Department it was stated that the existing regulations promulgated by the Commissioner of Internal Revenue and the Secretary of the Treasury, and having the approval of the Economic Stabilization Director, expressly state that the provision therein contained relating to the conclusiveness of determination is not intended to deny to any employer or employee the right to contest, in the Tax Court of the United States or in any court of competent jurisdiction, any provision of the regulations, on the ground that such provision is not authorized by law, or otherwise to contest any action taken or determination made under such regulations, on the ground that such action or determination is not authorized, or has not been taken or made in the manner required, by law.

In view of this statement, which clarifies the intent of the provisions in the regulations issued by the Economic Stabilization Director on October 27, 1942, the proposal relating to the right of appeal and review was not included in the amendment recommended by the committee.

The committee believes that no construction should be placed upon such regulations, or upon any other regulations issued in connection with the stabilization program, that would preclude any individual from exercising any rights or remedies that he might

otherwise have under the law by way of protection against arbitrary administrative action.

The committee urges the speedy enactment of the bill as reported.

Mr. DANAHER. Mr. President, will the Senator yield further?

Mr. GEORGE. I yield.

Mr. DANAHER. When the matter was discussed it was brought out that when the Treasury itself realized the full import of the original regulation it had sought to apply certain correctives, and we in the committee were satisfied that there was no longer to be apprehended under the regulation a denial of a test of the legality of the regulation or of any case arising thereunder. Is not that so?

Mr. GEORGE. That is correct, and it is so stated in the report.

Under the regulations of the Treasury, which have the approval of the Stabilization Director, any person aggrieved may, in any court of competent jurisdiction, question the legality of any action taken; that is to say, it is open to him to assert that the action taken is not authorized by law, or that it was taken in a manner not provided by law, or, stating it in the negative, that it was not taken or made in the manner required by law.

Mr. BONE. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. BONE. I have heard so much discussion about the figure \$67,200 that I should like to inquire how that figure is achieved. Is it the average figure of the income of a married man with one or two children, or how is it arrived at? It has been used so freely as a basis of comparison that I should like to know.

Mr. GEORGE. I will make this statement generally. I do not know to what particular class of taxpayers it was applied, whether to a single person or to a person with wife or children, but in the stabilization order issued by the Stabilization Director the figure \$67,200 came into the picture. Earned net income of \$67,200 will yield approximately \$25,000 a year to the person earning it, after he has paid his Federal income tax only. That is not exactly accurate, because, as the Senator points out, the taxpayer may be an unmarried person, or he may be married with wife and no children, or he may have children. The net result would vary somewhat, but, broadly speaking, earned income of \$67,200 will yield, after paying Federal income taxes only, a net of approximately \$25,000.

Mr. BONE. Unless there has been a drastic change in our income-tax statutes, which I have not noted, the credits and allowances to the taxpayer would include the payment of State taxes of all kinds, so that he would not be compelled, out of his remaining \$25,000, to pay State taxes.

Mr. GEORGE. The Senator is wrong. Under the order issued by the President the earned income, the income from salary, can be affected only by the Federal income tax, not by any other kind of tax.

Mr. BONE. If a man pays taxes on his home in a State, for instance, he is allowed that as a deduction.

Mr. GEORGE. He is allowed that as a general tax deduction, but not under this order.

Mr. BONE. I appreciate that; but, as I understand and as I recall the order, it did not affect adversely, or attempt to change, the provision allowing a deduction or a credit for the payment of State taxes. I do not so recall. I may be in error.

Mr. GEORGE. It fixed a flat limitation of \$25,000 net, approximately \$25,000, after the payment of Federal income taxes only, and that might, of course, be reduced, and would be reduced, by the payment of State income taxes, if any, or taxes upon property which the taxpayer might own.

Mr. BONE. Taxes on property, for instance, payable to a State, have always been allowed as a deduction, precisely as the operating overhead of a business has been allowed, or wages and salaries paid by a corporation are allowed.

Mr. GEORGE. That is true; they are allowed in computing the net taxable income, but not under the salary limitation order. Without any regard to what else the taxpayer might be entitled to set up by way of deduction, the order merely cuts off the salary at \$25,000 net, after the payment of Federal income taxes only, and it takes an income of \$67,200 to result in a \$25,000 net.

Mr. BONE. I am not sure that I made my position clear. It cuts the salary off after the payment of the Federal income tax. Enshrined in the Federal income-tax statement is the allowance for State taxes. All of us are allowed to claim credit for the payment of taxes on our homes.

Mr. GEORGE. In the case of a salary of \$100,000, it is simply cut back to \$25,000 under the Executive order. A person can have no consideration whatever for any tax he may pay to any State or city.

It might be of interest to the Senator if I called his attention to a few cases, figures as to which I myself secured. These are actual cases, though I do not wish to call the names.

In the first case, the salary of the individual is \$150,000. His net income from stocks, bonds, rents, and other investments is \$57,800, making a total of \$207,800, before the application of the salary limitation order.

Under the order the salary is reduced to \$67,200, and the individual has the same \$57,800, or a total income of \$125,000.

His Federal tax on 1942 taxable income amounted to approximately \$142,000. His State tax on his 1942 income amounted to \$11,000. His victory tax amounts to \$3,300. He paid premiums on insurance and old-age retirement amounting to \$3,000. He paid taxes on tangible personal property of \$13,000. He paid interest and amortization on mortgages in the amount of \$6,000. He paid charitable subscriptions which he had made amounting to \$5,000. His expense for needy relatives, to which he was committed, was \$1,700.

This individual has a net deficit of \$65,000, whereas, if he had been per-

mitted to retain his salary of \$150,000, he would have a net balance of \$13,600.

No expenditures for living, for food, for clothing, for medical expenses, or for anything else, enter into the computation.

Mr. President, I do not care to discuss the matter at length, certainly not at this time. I wish merely to say that, under a fair interpretation of the emergency Price Control Act, it was not intended by the Congress, at least it was not intended by those in charge of the bill on the floor of the Senate, to authorize a general reduction in salary, but only reduction in specific cases, or in specific classifications. That is the view we have taken of the matter.

Mr. President, I do not need to call attention to the fact that the salary limitation does not fight against inflation, it does not touch the question of inflation. It is not a revenue-producing matter. It actually results in the loss of revenue. It was estimated by Mr. Colin F. Stam, I believe, before the House committee, that this order would result in an annual loss in revenue of approximately \$100,000,000.

Moreover, the Bureau of Internal Revenue must draw out its best equipped men and send them over the country to administer the Executive order. The order accomplishes no purpose save the fanciful purpose of producing a state of equality.

Mr. President, equality in earnings has its place in no economy save the communistic state. Equality in opportunity is written into the economy of every forward-looking and progressive free enterprise system on the face of the earth.

On the face of it the Executive order is grossly inequitable, because it applies only to earned income; it reduces only what a man earns as his salary or his wage, and does, not, because it cannot, affect those incomes which result from investment. I would not support the order if it did affect all incomes, but since it does not and cannot affect all incomes, it is grossly inequitable to apply a limitation upon what a man may earn as a result of his labor, his ability, his initiative, his energy, his capacity to manage human enterprise.

I undertake to say that if in the beginning of this Government our fathers had been unwise enough to have limited the income which any citizen could make, instead of labor now receiving, in some cases, more than \$10 a day, it would be receiving less than \$1 a day. That is the history of the free enterprise system.

The Executive order applies to only a relatively few persons. What has that to do with it? It is undoubtedly the chief function of the Government, speaking through its judicial branch, to preserve the rights of the one man as against the 90 and 9, and when Government ceases to function in that way it degenerates into a mob.

Mr. President, without further discussion of this matter, except to revert to the fact that the order applies to only relatively very few people in the United States, variously stated to number from 1,580 to about 3,000—and again to repeat that that has nothing whatever to do

with the merits of this proposal—I should like to add that, while there may be only a few hundred or a few thousand men in the country whose earnings have exceeded \$25,000 a year after payment of Federal income taxes alone, without any regard to other taxes, there are several million young Americans who would like to know and like to feel that it is within their power, if they have the intelligence, and the industry, and the ambition, to earn more than \$25,000 a year after the payment of Federal income taxes.

The Finance Committee was of the opinion, and of the settled opinion, that the Executive order is unwise, that it goes beyond the intent and purpose of the Congress, that it accomplishes no desirable purpose, that it results in the loss of Federal revenue and increased cost to the Government to administer it. The committee was of the opinion that if taxes are not sufficiently high they can be raised again, and that the whole question is properly dealt with under the tax act.

I may say, Mr. President, that not only under the tax act but under the renegotiation of contracts law passed by the Congress no unreasonable salary on Government contracts may be earned. The taxes themselves in the higher brackets go beyond 90 percent of the total income of the taxpayer.

We were compelled to put a ceiling on rates, and to provide that in the case of individual income taxpayers no income should be taxed at a rate in excess of 90 percent. Actually the applicable rates would very nearly run the tax up to 100 percent in the very highest brackets. Even a \$200,000 income, Mr. President, under our tax law, is today taxed 88 percent income tax, plus 5 percent Victory tax, plus the State income tax, plus the property tax, plus every other tax that applies to it. So it was the opinion of the committee that the tax act dealt adequately with this matter. It was the opinion of the committee that under the renegotiation of contracts act no persons dealing with the Government—and the Government is a large customer now—could make an exorbitant salary. An exorbitant salary would be disallowed, and such salaries are disallowed by those who administer that act.

Recalling these facts, Mr. President, we thought it was entirely useless to continue this provision in the act upon which the Executive order numbered in the bill and the administrative regulation identified in the bill had been issued.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. GEORGE. I am pleased to yield to the Senator from Michigan.

Mr. VANDENBERG. The Senator referred to two existing checks upon excessive salary, namely, the renegotiation act and the higher brackets of the income tax. In order to complete the record, I suggest that the Senator might add that there is a third check against exorbitant salaries in the continuous power of the Treasury Department to disallow excessive salaries as corporation charges.

Mr. GEORGE. That is true; and that has been a part of the law since the beginning of our income tax laws. It is now a continuing part of the law, and of course the Commissioner of Internal Revenue has that power, and unquestionably exercises it.

Mr. President, the very greatest difficulty we have is in finding administrative officers who will content themselves with the carrying out of the plain, the manifest, and the undoubted intent and purpose of the Congress. I am not criticizing any particular administrator, but whenever those who administer the law share no public responsibility for its enactment, such a result may be expected.

We intended to do a few obvious things in the Price Control Act. We intended to give authority under certain conditions to place a ceiling on the prices of farm products. We intended to authorize the placing of a ceiling on wages and salaries. The clear purpose of Congress cannot be mistaken; the clear intent of Congress cannot be doubted by anyone. If those charged with the administration of the act would content themselves with carrying out the unquestioned intent of Congress there would be far greater happiness in the United States than there is at this hour.

The present Administrator of the Office of Price Administration is earnestly striving to do and is doing a very good job. He will do a better job if he will reject once and for all the theory of Dr. Galbraith that price ceilings must be imposed to prevent people from making what he considers exorbitant profits. If he adheres to that theory and applies it, the act will be further amended on this floor. The O. P. A. is charged with stopping as far as possible the increase in the cost of commodities, including farm products, under the conditions named in the law, and checking the rapid rise of wages and salaries. Why cannot the administrators content themselves with the discharge of their plain duty under the law? Is not that just about as big a job as anyone is capable of performing?

The difficulty here arises because under some possible interpretation of the law price ceilings may be adjusted, lowered to prevent profits believed by the agent to be unreasonable. We would meet the inflation problem, Mr. President, if we did not attempt to remake American economy and to right all of the fancied inequities in our price system according to the judgment of administrators who have no responsibility for the enactment of the law. They have no responsibility, in the last analysis, to the American people. We alone have that responsibility. I deplore the attempt to read interpretations into a simple program of this kind, which was intended to stop the rapid rising of prices which would result in the destruction of the workers and of the people in the middle brackets, at least, and the destruction of our whole economy, if we may say so, instead of doing the simple things which Congress intended should be done—simple in the sense that they could be readily understood, and not misinterpreted, in any quarter.

So. Mr. President, the House of Representatives having nullified the orders made and actions taken under this particular section of the Emergency Price Control Act, and the Senate desiring to correct it, as we think, in the manner which I have imperfectly pointed out, the committee voted to accept the action of the House in principle, and specifically the substance of an amendment which was offered on the floor of the House, and which was rejected by a narrow vote, as being preferable to the so-called Disney amendment.

Mr. McNARY. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. McNARY. I have greatly enjoyed the clarifying statement of the able Senator in charge of the bill with respect to salary limitations; but as my eyes glance over section 21, which is with regard to the obligations which may be issued, I see that they shall not exceed \$210,000,000,000. While that is House language, unquestionably the Senate committee considered that as thoroughly as though it were their own incorporation. I should like to have an explanation from the Senator as to why that sum was settled upon as the amount which governmental obligations should not exceed. What elements did the committee take into consideration in connection with that matter?

Mr. GEORGE. They will be found set forth on page 2 of the report. If I may briefly read it, I think the Senator will understand the essential facts which we had in mind:

The 1944 Budget submitted to Congress in January indicates that the deficit for the current fiscal year will amount to \$57,000,000,000 and, in addition, that the Treasury will be required to advance to governmental corporations approximately \$5,000,000,000 to finance their activities.

The reference is to such agencies as the Reconstruction Finance Corporation and other agencies which at this time are financed in part, and in many instances in whole, by the Treasury.

The report continues:

On the basis of these estimates the public debt on June 30, 1943, will amount to \$134,800,000,000. The estimated deficit in the fiscal year beginning July 1, 1943, without taking into consideration any additional budgetary revenues from new taxation, will amount to \$71,000,000,000. The Treasury will also be required to raise \$4,700,000,000 for the governmental corporations. The estimated increase in the public debt for the fiscal year beginning July 1, 1943, based on these estimates, will thus be \$75,700,000,000 and leave a public debt on June 30, 1944, of \$210,500,000,000.

Therefore, the limit of \$210,000,000,000 was thought to be adequate to enable the Government to carry on its fiscal program until the end of the next fiscal year.

Mr. McNARY. Then it would apply only for the fiscal year 1944?

Mr. GEORGE. For the remainder of the current fiscal year, and for the next fiscal year.

Mr. McNARY. Until June 30 of next year, at which time it is thought by the able Senator in charge of the bill that it will be necessary to pass another bill extending the limit for the issuance of obligations. Is that correct?

Mr. GEORGE. Undoubtedly, if our expenditures continue at the current or present rate, it will be necessary further to raise the debt limit.

Mr. McNARY. Did the committee consider the estimate that we might have to face next year at this time?

Mr. GEORGE. No; the committee did not go into that matter. Probably it proceeded on the theory that we should cross bridges as we come to them, that we could not forecast what the expenditures would be, but that unquestionably they would be high, even if the war should come to an abrupt end at any time within the current calendar year.

Mr. McNARY. The Senator gives a great deal of attention to matters of this kind, and is skilled beyond most Members of the Senate in fiscal matters.

From time to time we read that an estimate of \$300,000,000,000 has been placed on the debt of the country in 1945, at the beginning of the fiscal year, which would be July 1 of next year. I assume that the Senator has speculated, or prophesied, or given consideration to certain figures, which I thought would be very interesting to have in the RECORD. That is the reason I am asking for the best judgment of the able Senator from Georgia.

Mr. GEORGE. I have not undertaken to do so, Mr. President, and I would not be competent to do it. However, at the present rate of expenditure and the present rate of tax revenues, or income, the deficit for the fiscal year beginning July 1, 1944, will approximate, at least, the deficit for the next fiscal year. That alone would amount to more than \$75,000,000,000, which, added to the \$210,000,000,000, would make the amount at the end of the fiscal year 1944 approximately \$285,000,000,000, assuming that no additional expenditures are made.

Mr. McNARY. I think that is a very safe prophecy and I appreciate having it for the RECORD.

Mr. BARKLEY. Mr. President, will the Senator yield to me for a question?

Mr. GEORGE. Certainly.

Mr. BARKLEY. I was not present in the city last week when the committee took action on the bill. I note that in the Senate amendment on page 4, reenacting section 4, clause (2) at the end of that section, as written into the act of October 2, is omitted. This language is omitted:

Provided, That the President may, without regard to the limitation contained in clause (2), adjust wages or salaries to the extent that he finds necessary in any case to correct gross inequities and also aid in the effective prosecution of the war.

The Committee on Banking and Currency, of which I also happen to be a member, in writing that language into the price-control measure, felt that there might be individual cases of gross inequity with respect to salaries or wages, and the President was given authority to correct such gross inequities in such cases as we might all admit he might have done so in contemplation of this provision, without regard to any reduction covering large classes of persons whose pay might be regarded as constituting a gross inequity. Why did the

committee, in the proposed reenactment of section 4, eliminate clause (2)?

Mr. GEORGE. The committee eliminated it for this reason: If the Senator will look at section 4, clause (2) of section 4 to which he refers, as it now stands in the existing law, reads:

No action shall be taken under authority of this act with respect to wages or salaries * * * (2) for the purpose of reducing the wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942.

In the opinion of the committee that is itself a limitation upon the power of the Administrator.

Mr. BARKLEY. Yes.

Mr. GEORGE. The further power, which is given in the proviso to which the Senator refers, having been used as the basis of a general order limiting or reducing all salaries to a certain level, the committee was of the opinion that the power should not be longer continued. There was no practical purpose to be served by it, for the reasons which I have tried briefly to discuss.

The Senator will see that there is no limitation on the power of the President or the Administrator to prevent further increases in salaries or wages beyond the level reached by wages or salaries within the dates specified.

Mr. BARKLEY. As I interpret the elimination, clause (2) at the bottom modifies clause (2) in the middle of that section, so that while it is provided that no action shall be taken for the purpose of reducing wages or salaries for any particular work between those dates, clause (2) at the bottom was a modification of that, to the extent that where there was an individual gross inequity the President might, without regard to the limitation in the earlier clause (2), make adjustments under the later clause (2).

Mr. GEORGE. Personally I think that the Administrator would have technical authority to do precisely that; but I do not think there was any authority for a general or wholesale reduction.

Mr. BARKLEY. I understand the Senator's position in that respect, and I am not entering into that controversy; but with this language stricken out, the Administrator would have no authority even to adjust an individual outstanding inequality. Is that the Senator's interpretation?

Mr. GEORGE. That is true, because we did not think that the congressional intent was to confer such authority. What the Congress contemplated was a clear purpose to prevent further increases in wages, salaries, and prices.

Mr. BARKLEY. There is no doubt that under the language of the law the Administrator has authority to prevent any increases in wages or salaries.

Mr. GEORGE. Yes; and we have left it that way. The House bill did not do so.

Mr. BARKLEY. There has been doubt in the minds of perfectly honest persons as to whether reductions should be made, whether they be of salaries or wages. No effort has been made to reduce wages. An effort has been made to stabilize wages by putting a ceiling upon them. The only case in which the law has been

administered in such a way as to attempt to reduce wages generally has been in Executive Order No. 9250, I believe, which affected salaries above \$25,000, or up to \$67,200. If I am mistaken, the Senator will correct me; but I do not think there has been any effort to reduce salaries or wages except in that order. Is that true?

Mr. GEORGE. I know of none, except perhaps that the Labor Board has fixed wages within one or two narrow areas, and provided that the wages should not exceed a certain level. However, in such cases the Board was at pains to take care of any individual wage which had already exceeded the ceiling.

Mr. BARKLEY. I think the situation referred to by the Senator applied to cases in which there had already been more than a 15-percent increase, based upon the so-called Little Steel formula, and that in the adjustment within that 15-percent formula, here and there some reductions were probably necessary.

Mr. GEORGE. That is true; but the reduction was not made with respect to a wage which had actually been established.

Mr. LANGER. Mr. President, will the Senator yield for a question?

Mr. GEORGE. I am glad to yield.

Mr. LANGER. Are we now considering section 4, or the entire bill?

Mr. GEORGE. The entire bill.

Mr. President, I ask unanimous consent to have printed in the RECORD following my remarks a definition of salary and wages, found in the report on the bill by the House Committee on Ways and Means.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

DEFINITION OF SALARY AND WAGES

For the purposes of this section:

The amendment made by section 4 of the bill applies only to salaries. All forms of direct or indirect compensation for personal services of an employee which is computed on a weekly, monthly, annual, or other comparable basis, except a wage basis, constitutes a salary. Thus bonuses, additional compensation, profit-sharing payments (except that for the purposes of this section compensation calculated by a percentage of corporate earnings before taxes shall not be considered a profit-sharing payment and will not be considered as a "rate of salary") and other similar forms of remuneration to a salaried employee are included as part of his salary. Insurance and pension benefits to the extent that they are reasonable in amount are, however, not included. Wages are to be distinguished from salaries in that wages are compensation for personal services computed on an hourly, daily, piece work, or other comparable basis.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the committee amendment on page 3, after line 7.

Mr. LANGER. Is that section 4?

Mr. GEORGE. It begins with section 4.

Mr. McNARY. I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Alken	Hatch	Radcliffe
Austin	Hawkes	Reed
Bailey	Hayden	Revercomb
Ball	Hill	Reynolds
Bankhead	Holman	Russell
Barkley	Johnson, Calif.	Scrugham
Bone	Johnson, Colo.	Shipstead
Brewster	Kilgore	Smith
Brooks	La Follette	Stewart
Buck	Langer	Taft
Burton	Lodge	Thomas, Idaho
Bushfield	Lucas	Thomas, Okla.
Butler	McCarran	Thomas, Utah
Byrd	McClellan	Tobey
Capper	McFarland	Truman
Caraway	McKellar	Tunnell
Chavez	McNary	Tydings
Clark, Mo.	Maloney	Vandenberg
Connally	Maybank	Van Nuys
Danaher	Mead	Wagner
Downey	Millikin	Wallgren
Ellender	Moore	Walsh
Ferguson	Murray	Wherry
George	Nye	White
Gerry	O'Daniel	Wiley
Gillette	O'Mahoney	Willis
Green	Overton	Wilson
Gurney	Pepper	

Mr. McNARY. The Senator from Pennsylvania [Mr. DAVIS] is absent on important public business. He has requested me to announce that he supported the debt limit bill in committee and favors its passage by the Senate.

The Senator from New Jersey [Mr. BAZZOUR] is necessarily absent.

The Senator from Wyoming [Mr. ROBERTSON] is absent on public business.

The PRESIDING OFFICER (Mr. O'MAHONEY in the chair). Eighty-three Senators having answered to their names, a quorum is present.

Mr. LANGER. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. LANGER. Am I correct in understanding that if section 4 of the pending bill shall not be adopted, the old section 4, containing the proviso clause will remain the law?

The PRESIDING OFFICER. The Senator is correct.

Mr. LANGER. Mr. President, if there is one man in the United States who I believe has proven to be a friend of the average citizen, it is Thurman Arnold. I desire to bring to the attention of the Senate three or four paragraphs from his book entitled "Democracy and Free Enterprise," which is the last book written by him. In the book Mr. Arnold says:

In the same way the disease of cartelization progressed in other industries; concentration grew to an alarming extent, particularly in the basic materials which are the source of all industrial production. The building up of these organizations did more than simply create shortages in basic war materials. It led—

And this is significant—

to the development of an economy divided into two economic worlds.

The first was the world of organized industry; the second was the world of small, unorganized businessmen, farmers, laborers, and consumers. In the first world there was the power to maintain high prices no matter how much the demand for the product fell off. When this power was exercised, purchasing power was curtailed, production dropped, men were laid off. This, in turn, lowered purchasing power and made demand drop still further. A vicious downward spiral was set in operation. In the second world unlimited competition still existed and could not be controlled. In this world

lived the farmers, retailers, and small businessmen who supply the consumers with both goods and labor. Here, when the supply increased or the demand fell off, prices dropped to the bottom, but the people went right on producing as much as the conditions of the market would permit. In the first world we had concentrated control, which makes possible high and rigid prices. These, in turn, led to restriction of production and wholesale discharge of labor. In the second world we found competition among these groups, low flexible prices, large production, and labor standards often at starvation levels.

The final result, before the unbalanced industrial boom created by the present war, has nowhere been better described than by President Roosevelt in his monopoly message of 1935. He said:

"Statistics of the Bureau of Internal Revenue reveal the following amazing figures for 1935:

"Ownership of corporate assets: Of all corporations reporting from every part of the Nation, one-tenth of 1 percent of them owned 52 percent of the assets of all of them.

"And to clinch the point: Of all corporations reporting, less than 5 percent of them owned 87 percent of all the assets of all of them."

Mr. Arnold quoted President Roosevelt further as follows:

"Income and profits of corporations: Of all the corporations reporting from every part of the country, one-tenth of 1 percent of them earned 50 percent of the net income of all of them.

"And to clinch the point: Of all the manufacturing corporations reporting, less than 4 percent of them earned 84 percent of all the net profits of all of them."

Mr. President, as Mr. Arnold says:

All this is history. It is an old story to the farmers of this country. However, I present it as background, since it bears on the economic problem which the present has forced on the unorganized industries of this country. Billions of dollars had to be poured into this unbalanced economic structure under the pressure of sheer immediate necessity. This necessity brought into sharp relief how our antiproducer monopoly control had been working.

We suddenly woke up to find acute shortages in every basic noncompetitive industry. We are short of power in a country abounding in power; we are short of metals and chemicals; we are short of transportation; we are short of skilled labor. In every industry which has been able to restrict supply in order to put a floor under prices, we find a lack of capacity. This lack of capacity is not hurting the industries which are responsible for these shortages. The burden—

I call this to the attention of the Senate as forcefully as I possibly can—

The burden is being borne entirely by independent businessmen and farmers whose supplies are being cut off by the imposition of priorities.

So, Mr. President, here we have speaking an expert, Thurman Arnold, who in charge of the Antitrust Division of the Department of Justice, has made a thorough study of the situation extending over a period of years. Anyone who has read his book on Democracy and Free Enterprise knows how the East has been built up at the expense of the South and the West; how in the East the large industries have been using the South and the West as colonies, and have been transporting raw material from those

sections to the East, where it is manufactured into goods. There is no better example of it than synthetic rubber. Anyone who has followed the testimony before the Gillette committee knows that it would be much simpler and certainly much more economical to take the fruits that rot in Oregon or the grain that spoils in the Middle West and manufacture them into synthetic rubber in those sections, instead of transporting those products to the Atlantic coast where they may reach the point of being considered waste and poured into the ocean, but in the West they could be used for feed to fatten cattle.

Mr. President, I come now more definitely to the consideration of section 4 of the pending measure. I oppose section 4, and I hope it will not be adopted, but that the original act may stand.

Mr. President, I have only the greatest respect for the distinguished senior Senator from Georgia [Mr. GEORGE], but he said this morning there was some doubt as to the legality of the proviso clause which was added to the original section 4 which reads:

That the President may, without regard to the limitation contained in clause (2), adjust wages or salaries to the extent that he finds necessary in any case to correct gross inequities, and also aid in the effective prosecution of the war.

When the distinguished Senator from Georgia indicates that there is some doubt as to the legality of that provision I call the attention of the Senate to an opinion rendered by Mr. Biddle, Attorney General of the United States, dated October 3, 1942, in which he advised the President that he had examined the proposed Executive order providing for the stabilization of the national economy submitted to him and he said that it had his approval as to form and as to legality.

Mr. President, I also have before me a speech which I consider the best one delivered in the other House of Congress on this subject.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. TAFT. The opinion rendered by the Attorney General rather expressly avoids any indication of a desire to give an opinion. He says it has his approval as to form and contents, but as to frankly expressing any opinion that it was legal or giving any reason for his view, the Attorney General completely avoided the issue, and has not put on record any defense whatever of the adoption of the \$25,000 salary limitation.

Mr. LANGER. Probably at least a dozen Members of this body have been attorneys general of their States at some time or other, as I have been, and they know, as I think the Senator from Ohio must know, that it is not necessary that an attorney general go into all of the details and ramifications of a measure, such as the senior Senator from Ohio would seem to suggest. The Attorney General said—and I quote his opinion in its entirety—

OCTOBER 3, 1942.

The PRESIDENT.
The White House.

MY DEAR MR. PRESIDENT: I have examined the proposed Executive order providing for

the stabilizing of the national economy submitted to me today.

It has my approval as to form and legality.

The distinguished Senator from Georgia a few moments ago said he had some doubt as to its legality. Here we find the Attorney General of the United States specifically passing upon that point.

As I was about to say, in the other House there was no speech which interested me more greatly than that delivered by Representative USHER L. BURDICK. His speech is short, so I am going to read it in full, for I think it is of tremendous importance. Speaking on the 17th day of May, he said this:

Mr. Speaker, it is not often that the House indulges in dishonest parliamentary practice. Last week, in the passage of the debt-limit bill, we had a glaring example of this kind of legislation.

I call the attention of the Senate to the fact that I do not say that that action over there of the other body was dishonest, but that one of their own Members upon the floor said so. He calls it dishonest parliamentary practice.

Mr. BURDICK continues:

The issue before us should have been whether we would or would not increase the debt limit from \$115,000,000,000 to \$210,000,000,000. That issue would have been straight-cut and, of course, would have passed with only a few dissenting votes.

We are at war and whatever debt limit it takes will be arranged.

When this bill came in, however, it had an extraneous matter attached to it that had no relation whatever to the issue on the debt limit. This rider—in substance—repealed the Executive order limiting salaries to \$67,200.

The chicanery practiced by those who handled this bill was to compel everyone who wanted to raise the debt limit—which every patriot wanted to do—to vote to rescind the President's order fixing a limit on salaries. Of course, it did not work out that way. I, for one, voted "no," not because I refused to raise the debt limit, but for two other reasons.

First, I do not believe in this kind of "foxy" legislation. Every person with just a common understanding of parliamentary law will see that the matter of the President's order should have come before the House as a direct issue rather than being sneaked in under cover of legislation that everyone favored anyway.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. TAFT. The Senator will note, however, the peculiar position in which Congress would place itself if that argument were admitted. Congress passes a law, let us say. The President then issues an Executive order for which no basis is provided in the law, although it is claimed that he has that right. Thereupon it is claimed by the Senator that we must pass another law, which the President will have the power to veto. It seems to me that if we are assuming to say here that the President acted without authority, that he was usurping power, it is perfectly proper to put such an amendment on a bill which the President practically cannot veto. Of course, that practice has been pursued for many years in the Senate. It may not always be justified, but it seems to me that if there is any case in which it may be jus-

tified, it is a case in which Congress takes the position that the President has usurped power which Congress did not intend to give the President in the legislation it enacted.

Mr. LANGER. Of course, the answer is that the President may veto the bill now pending, if it shall be passed. It is no argument to say that he could veto the rider if it were all by itself, because he can veto the whole measure. But the attempt is made to take something which some of us in the Senate do not like and attach it to something which its sponsors know we will want to vote for—namely, the measure increasing the debt limit. I object to that practice; I do not think it is proper. I think the Senate should have the right—and I propose to give it to the Senate before I get through, if my amendment shall be adopted—to vote separately on the rider and on the provision for the increase of the debt limit.

Mr. TAFT. The Senate has that right now, in voting on the amendment. Nothing deprives the Senate of the right to vote separately on the question of the \$25,000 salary limit. In fact, that is the question now before the Senate. It is unnecessary to offer an amendment further to that effect.

Mr. LANGER. I understand that, but the reason I am on my feet speaking is that I intend to see to it that the Senate shall have a right to vote on the two proposals separately.

Representative BURDICK proceeds:

Second, I voted "no" because I was of the firm opinion that this Congress had given the President power to issue such an order, and that when he fixed the top salary at \$67,200, or \$25,000 clear of all taxes, that he did the best thing that could be done for the country.

I may add, in passing, that Mr. BURDICK is one of the outstanding lawyers of our State. He has been an assistant United States district attorney in the State, by appointment of President Hoover, in addition to holding very many other prominent positions. He proceeds:

I have gone over this act—to amend the Emergency Price Control Act of 1942—as a lawyer and after careful consideration I am of the opinion that the President usurped no function or power which had not been given him by the Congress. Every person who does not agree with my conclusions ought to read Public Law 729 pertaining to the matter of the right of the President to fix salaries. Here is what Public Law 729 says:

"The President may, except as otherwise provided in this act, thereafter provide for making adjustments with respect to prices, wages, and salaries, to the extent that he finds necessary to aid in the effective prosecution of the war or to correct gross inequities.

"The President may, from time to time, promulgate such regulations as may be necessary and proper to carry out any of the provisions of this act.

"No action shall be taken under authority of this act with respect to wages or salaries (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act, or (2) for the purpose of reducing the wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942: *Provided*, That the President may, without regard to the limitation contained

in clause (2), adjust wages or salaries to the extent that he finds necessary in any case to correct gross inequities and also aid in the effective prosecution of the war."

It will be obvious that the President was given absolute power over the matter of fixing salaries—with two reservations. The first reservation was that he could take no action inconsistent with the two labor acts already on the statute books, namely, the Fair Labor Standards Act and the National Labor Relations Act. The second reservation was that he could not reduce wages or salaries below those paid in a certain period. But there immediately follows a clause under a provision that gives the President full power to reduce salaries "to correct gross inequities and also aid in the effective prosecution of the war." This provision suspends, in certain cases, the reservation contained in provision second of section 4 of Public Law 729. In other words, Congress made two reservations of power. The first was absolute. The second was not absolute and to be disregarded entirely if to "correct gross inequities and also aid in the effective prosecution of the war." Does anyone contend that a salary of \$400,000 paid to the head of a concern making instruments of war is not a "gross inequity" in comparison to the pay of labor, the pay of soldiers, or the pay received by 90 percent of the American people? Does anyone contend that lowering this \$400,000 salary to a net of \$25,000 does not contribute to the "effective prosecution of the war?"

The President exercised the authority granted in this act and by proper proclamation announced that no salary would be permitted which netted the individual more than \$25,000 annually. To put it in other words, no salary above \$67,200 would be permitted. These figures seem inconsistent, but after the Federal tax is deducted from a \$67,200 salary, only \$25,000 remains.

About 130,000,000 people in the United States will applaud the President in reducing these salaries which, in some instances, reached over \$400,000 annually.

Mr. President, when the Senate had under consideration the question of taxing future issues of securities which had hitherto been tax exempt, the senior Senator from Wisconsin [Mr. LA FOLLETTE] read into the RECORD upon the floor of the Senate a statement showing that one man in America has an income of \$5,000,000 a year, and that scores of others have incomes of over a million dollars a year. At about the same time, as I recall during the same week, the Senator from Iowa [Mr. GILLETTE] presented upon the floor of the Senate a record prepared by one of the Federal bureaus showing the number of persons who were drawing large salaries, some salaries extending not to the sum of \$400,000 a year, but to over \$800,000 a year.

Mr. President, let us contrast that with another speech made upon the floor of the Senate a short time ago by the senior Senator from Wisconsin. Who is paying for the war? The Senator from Wisconsin, when he opposed the use tax on all automobiles, said the poor man is paying for the war, the middle class man is paying for the war, just as they paid for World War No. 1. Yet after the senior Senator from Wisconsin had argued so eloquently as to the unfairness of placing a use tax of \$5 on every automobile, regardless of its value, after he had argued that a hired man on some farm may on Sunday use an automobile which is worth only \$15 or \$20 to go to town, and that

under that tax measure he pays \$5, the same amount as is paid by a man who owns a Rolls Royce or some expensive automobile which is used every day, yet when the question came to a vote the Senate, by a vote of 35 to 32, voted against the proposal made by the senior Senator from Wisconsin.

Mr. BURDICK continued:

Those few millions of people that are left in our population—after deducting 130,000,000—will, of course, find fault with the Presidential order.

The proponents of this bill—containing a repeal of the President's order—strove diligently to make the issue one of the President having assumed a power which he did not have in law. The President was made to appear as a usurper of this power. Many of the Members who made such statements also voted this extraordinary power to the President.

Mr. BURDICK then said:

I could not follow my brother Republicans in their almost solid vote for the repeal of the President's Executive order, for two reasons: First, I try to be consistent. Nearly all Republicans who voted this power to the President voted to rescind it, not because the President had not done the right thing, but because they wanted to get back the power which they themselves had handed over. This did not apply to the new Republican Members because they had no part in the matter, but the old Republicans who made all the noise in the debate were the very ones who voted the power to the President.

Secondly, the President wisely exercised his power. He found salaries ranging all the way from \$85,000 to \$400,000 being paid in industries holding Government contracts. He could see that—even with tax deductions—some few were enriching themselves off the misery of the people who were supporting this gigantic war effort. Where can be found a sane man or woman who would appear on a witness stand and say the President was wrong? Deep in their hearts, those who voted against the President on this legislation know the President was right.

Nothing can be gained—politically—by any party in taking a stand against a measure which is right and which will be supported by 90 percent of the American people.

I am not here in this Congress—

Mr. BURDICK said—

to contribute to the success of the Republican Party—or any party. I am here to contribute to the success of our common country, and no party consideration will have the least effect upon my determination to see this war through as quickly as possible to a complete victory. The President is the Commander in Chief of all our forces. He is not only entitled to my support but has it. As long as he never does anything worse than reduce a salary from \$400,000 to \$67,200 annually, neither he nor those who support him will be condemned by the overwhelming majority of the people of the United States.

Mr. President, in this connection I desire to bring to the attention of the Senate a speech made by the minority leader, the Senator from Oregon [Mr. McNARY] on the 5th day of November, immediately following the last election. What did the Senator from Oregon say at that time? His speech is found on page 8997 of the CONGRESSIONAL RECORD. He said:

Mr. President, if the recent election should cause our friends in control of the administration and the conduct of the war to be more careful in respect to such vast expenditures, the election will have been a grand victory for the American people.

Every time we waste such vast sums of money it means more taxes to pay. My sympathy—

The Senator from Oregon said—

does not go out to the man whose salary is limited to \$25,000. That does not matter. There are millions of the underprivileged, of the toiling, who receive but little compensation, who will suffer, who, indeed, are now suffering, but who will suffer more acutely from nervous disorders, and other forms of misery when March 1, 1943, comes around.

Mr. President, what do we find in the Republican Party now? We find that a few weeks ago Representative MARTIN made a speech, the main contention of which was that the \$67,200 limitation had to be removed.

Three days after Mr. MARTIN made that speech, his successor as chairman of the Republican National Committee, Mr. Spangler, made a speech, in which he reiterated that the Congress would have to take off the limitation of \$67,200.

Mr. President, I am happy to belong to the Republican Party in the State of North Dakota, but I say as one belonging to the major faction of that party in that State that no support will be found for the kind of doctrine preached, so far as the pending bill is concerned, by those leaders of the Republican Party, but rather the Republicans of North Dakota will follow the Senator from Oregon [Mr. McNARY], the minority leader of the Senate.

I agree with the statement made by a columnist in an article published in a Washington newspaper last week. He said that the Republican Party, in leading the fight as it did in the House, when 9 of the 10 Republican members on the Ways and Means Committee voted to attach the rider to the pending bill, will be committing political suicide among the common people of this country by advocating such legislation.

So, Mr. President, even assuming that the argument made by the senior Senator from Georgia is correct, that the country would not have reached the high state of development it has reached if salaries had been limited at the time of the foundation of our Government, nevertheless in a time of war I, for one, believe in human rights above property rights, and I believe that the President should be authorized not alone to reduce salaries but to take any property anywhere in America which he believes to be needed to carry on the war effort successfully.

Our sons are taken for the war. In a short time our daughters may be taken, and I say that when an administration can do that, it should be authorized, as the President was authorized by legislation, at least to reduce a millionaire's salary to \$67,200 a year. It is my cold, considered judgment that when this question is put up to the American people—as it will be put up to them, because the President will see to that when the time comes—the people will express themselves in no uncertain terms. The President's record is clear on it. He has written three letters to the Senate. In one, the President said to the Democratic Members of the Sen-

ate, "We made a pledge. It is contained in our platform. That pledge was that we should tax future tax-exempt securities issued by the National Government and by the States and counties." Yet some of the very Democratic Senators who were elected on that platform voted against their own President.

Some time later the President wrote to the Congress a letter in which he said that he believed in the limitation of \$67,200.

When such a limitation was attached to the bill in the House, the President wrote a third letter in which he said that he believed that incomes and salaries together should not amount to more than \$50,000 net.

So the President has made a record upon which he can go before the people of America. It is my judgment that if the Republican Members of this body are so foolish as to follow the reactionaries in the other House—those who did not dare let the House have a record vote on the bill by itself, but attached it, and passed it as thus attached, to a bill involving an increase in the debt limit—a measure for which they knew every patriotic Member of the Senate would vote—I say that in my opinion, at least—take it for what it may be worth—a Senator who follows what was done over there is not representing the rank and file of the people of the country.

So, Mr. President, I hope that section 4, as it is contained in the bill, will not be adopted; and on that question I ask for a yea-and-nay vote.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee. On that question the yeas and nays are demanded.

Mr. TAFT. Mr. President, I should like to make a few comments on phases of the situation which I think have not perhaps been clearly brought out by the debate which has already occurred.

In the first place, in the debate relative to large salaries the question of taxation has been entirely overlooked. As a matter of fact, under the tax law now in effect, and which may well be made more severe, a man who receives a salary of \$100,000 has to pay in taxes approximately \$63,000, so that he nets \$37,000; for the second \$100,000 in salary he can keep only about \$9,000; and for the third \$100,000 in salary he can keep only \$7,000. So as a matter of fact, the actual difference in terms of dollars that he will receive, whether under the present law or under the law with the particular section referred to repealed, will not be very material. The total salary received, as limited by our tax system, is reduced almost as much as it is reduced by the President's order.

I think it is also fairly clear that the President's order does go beyond anything which was authorized by the statute which was passed in October by the Congress. It will be remembered that the President proposed to the last Congress that they put a limitation of \$25,000 on all incomes, both those from salaries, those from investments, or otherwise. That proposal was considered both by the House committee and by the Senate committee. Both committees rejected it,

No Member of either the House or the Senate even attempted to offer the amendment. As a matter of fact, representatives of the American Federation of Labor appeared before the Senate Finance Committee and opposed any limitation to \$25,000. Such a limitation had originally been a proposal of the C. I. O., and the C. I. O. appeared in favor of it, but they were the only ones who did appear in favor of it before the committee. So the proposal was rejected by Congress.

Then we came to consider a bill the purpose of which was not to limit salaries, but to stabilize wages and salaries. That bill was passed by the Congress. It provided that such stabilization should, so far as practicable, be on the basis of the levels which existed on September 15, 1942. Clearly, the over-all purpose was simply to stabilize wages and salaries where they were, and thereafter to permit the President to make adjustments if he might see fit to do so. There was no power to impose any limits. It might be argued that in a particular case the President had power to consider the question and decide whether there was a gross inequity as to it; but no general power was given; and I think the gentlemen in charge of the bill, both in the Senate and in the House, took that position.

Mr. STEAGALL, the chairman of the House Committee on Banking and Currency, when he was asked specifically whether under the bill the President could limit salaries to \$25,000, stated that—

I do not think so. I think the record will show that such is outside of the legislative intent, and I do not believe that the President of the United States would deliberately go against a clearly disclosed opinion of Congress. I cannot think that. I am not prepared to say that the President is going to do anything under the proposed measure except what he understands Congress intends him to do. This is a mandate and a guide for his action.

The then junior Senator from Michigan, Mr. Brown, speaking in the Senate, did not make so definite a statement as that; but in answer to a question as to the meaning of the words "gross inequities," he said:

We strove to find a phrase which would enable the President to stick as closely as reasonably possible to the level of September 15, 1942. We wanted to confine him to allowing increases or decreases only for those cases where great injustice would otherwise be done.

That was the statement of Mr. Brown, who was in charge of the bill for the Committee on Banking and Currency.

So I think what Congress intended is perfectly clear. When the bill was before the Senate and the House no Member of either body intended to have the President given any such power.

After the bill was passed the President issued an order limiting salaries—not limiting them to any specific figure, not acting under the power to determine what a man's services were reasonably worth, but purporting to limit the total he could receive. He modified it. To show clearly that the modification does not have any relation to services, he said that in a particular case a man who had large insurance premiums to pay or

many debts to pay might be paid a larger salary by the company that was concerned, thereby interpreting some of the provisions which we were considering in the tax law. In other words, the order issued by the President and the Stabilization Director was an attempt to levy a tax. It was an attempt to carry out, so far as there was any possible legal support, any shadow of legal support, the original plan of limiting all incomes to \$25,000. Not only that but there was no general stabilization order. The act says, "First, you shall stabilize everyone; then you shall consider particular cases."

In his first order the President, instead of stabilizing, attempted to say that no salaries could be over \$25,000. That in itself, I think, voids the order; but it may take years to determine that question in court; and, in the meantime, no one knows what salaries can be paid, and companies which follow a lawyer's advice and pay a larger salary are subject to very high income taxes, and must take a chance which naturally they should not take.

It seems to me that we can deal with this question by way of taxation. If we think that the rate on the higher salaries ought to be 95 percent, let us make it 95 percent. Today the rate on incomes of more than \$200,000 is 93 percent. On the second \$100,000 I think it averages about 91 percent.

There is this tremendous difference: If we undertake, as a matter of principle, to say that no one's income shall be more than so many dollars, we depart entirely from the general plan on which our economy is based, of a reward for incentive based upon what a man's services are worth as determined by those who pay for his services. I care not how high the tax goes, but it seems to me that what a man has left should have some relation to what his services are worth in the open market, to what his ability, experience, knowledge, and training entitle him, as determined by those who are seeking that kind of services. If the difference is only a few dollars, still there should be that difference.

There should always be an incentive to a man to work harder, to develop greater ability and gain more experience. The moment we depart from that principle and attempt to impose an arbitrary limit, we depart from the principle on which our economy is based. Under the proposed system I see no reason why the limit should not be \$20,000, \$15,000, \$10,000, or \$5,000. It is a system which says that a man who is worth \$50,000 shall not receive 1 cent more than a man who is worth \$40,000. We might as well make the limitation \$5,000, or the average income in the country, which is approximately \$2,500.

I think it is right that we should insist that the value of a man's services shall be determined by those who employ him, and that we should insist that the more his employers think he is worth the more he should be entitled to retain.

I think we have done a good job in imposing the 93 percent tax. If we want to go to 95 percent, let us go to 95 percent; but I think it is a fundamentally erroneous principle, a principle which

distinguishes communism and socialism from a free enterprise system, to undertake to say that there is a limit beyond which the salary or income of no one may go.

Mr. LANGER. Mr. President, I wish to say just a few words in reply to the senior Senator from Ohio.

Possibly what the senior Senator from Ohio says would ordinarily be correct; but we are at war. Millions of our boys are being taken away from their jobs and inducted into the military service, where they receive \$50 a month. I do not think it is socialism to say to 2,500 individuals—according to the Senator from Georgia [Mr. GEORGE] only 2,500 individuals would be affected—"You will not be permitted to receive more than \$67,200 in salary." I believe that the Senate would be doing its patriotic duty if it should adopt that principle.

So far as concerns the argument of the Senator from Ohio as to departing entirely from the general plan of government, of course we are departing from it. We have been departing from it ever since the 7th of December 1941. Time and time again things have been done in the Senate to aid in the prosecution of the war which we would not do if the country were not at war.

Mr. President, I hope we may have a yea-and-nay vote on this question. Are we to say to the soldier boys, "No matter how much money you were getting before, you must now get along on \$50 a month, or \$600 a year," and say to the millionaires, "You may make all the money you can. We are going to tax you perhaps 93 or 95 percent, after you have taken advantage of various ways and means of avoiding taxes"? In my opinion, that is the question which is involved.

I ask for the yeas and nays.

Mr. BARKLEY. Mr. President, I had hoped that we might dispose of this measure before now. I have no intention of delaying a vote on it for more than a very few minutes, I hope. I wish to make a few observations in order, if I can, to clear up one or two confusions which may exist in view of the history of the legislation, as well as to clear up my own attitude regarding it.

I happen to be a member of the Committee on Finance, as well as of the Committee on Banking and Currency, both of which considered the question of a limitation on salaries. As I recall, the President had recommended such a limitation to Congress before the last tax bill was enacted, and the Committee on Finance held hearings. Let me say that, in my judgment, the hearings held on the last tax bill by the Committee on Finance were the most constructive and valuable hearings held on any tax bill for a good many years.

During the hearings on the tax bill the question of the \$25,000 limitation was discussed in the Committee on Finance. I recall that there was a sharp division among those who testified on the subject as to the wisdom of the policy, in the first place, and its practicable workability in the second place. There was a sharp division among those who testified on behalf of labor. The C. I. O. through its representative, who

read to the committee an address which had been prepared by Mr. Murray, the head of that organization, advocated the limitation of salaries to \$25,000.

Mr. William Green, President of the American Federation of Labor, who as I now recall appeared in person testified against it. He opposed it as a matter of policy as well as a matter of principle.

The committee discussed it in some detail in executive session, as well as during the hearings. The committee took the view—and I shared that view so far as the tax bill was concerned—that the best way to reach high salaries and high incomes was by taxation. The jurisdiction of the Finance Committee over the subject seemed logically to be limited to the question of tax rates in order to reach the higher brackets in fixed salaries as well as compensation from general sources. I think it may be truthfully said without contradiction—and if any member of the Committee on Finance disagrees I hope he will correct me—that so far as the limitation of salaries was concerned, as it was presented to the Committee on Finance, it was felt that the best way to deal with that question was through taxation. As the Senator from Georgia [Mr. GEORGE] and other Senators have said, we tried to deal with it by the rates which we assessed against incomes in the various brackets.

When the matter came before the Committee on Banking and Currency, not in connection with a tax measure, but in connection with the price-control measure which was enacted in the fall of 1942 and signed by the President on the 2nd of October of that year, the same question arose for discussion in that committee. As I recall—and I am subject to correction—the Senate committee struck out certain language in the bill as it had been introduced. I know that the question was raised by the Senator from Connecticut [Mr. DANAHY]. Certain language in the price-control bill as it had been introduced seemed to be sufficiently broad to include the regulation of salaries by fixing a limit or ceiling upon salaries in the higher brackets. The Senate committee struck out that language on the theory that it would authorize what subsequently was actually done by the President.

The bill went to conference. When the conference report was agreed to, and the bill was signed by the President on October 2, 1942, it contained language which undoubtedly could be construed to authorize him to deal with salaries in the same way in which he might deal with wages. In the language of the act there is no difference between the treatment of salaries and wages. Of course, the original bill had for its object the curbing of inflation by authorizing the fixing of price ceilings, or maximum prices, as we call them, on all sorts of commodities in order that such a runaway inflation period as occurred during and following World War No. 1 might not occur again.

So the Price Administrator was authorized to place maximum limits upon salaries and wages. There is no doubt of the fact that under that authority the President, or the Price Administrator, or the Economic Stabilization Administra-

tor, individually, collectively, or separately, could deal with the question of wages and salaries insofar as increases were concerned. I do not suppose anyone would dispute that.

With reference to decreases, either in wages or in salaries, there was not a very clear discussion either in the House or in the Senate, or in the two committees, as to whether there should be any decreases in wages or in salaries. I presume that the word "adjust" would carry with it the necessary interpretation that wages or salaries might be decreased as well as increased. One could hardly conceive of an adjustment which was only upward, and particularly in view of the language of section 4, which I read for the RECORD:

No action shall be taken under authority of this act with respect to wages or salaries, (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act.

We all know what those acts were. We know that they provided for collective bargaining relative to hours, and all that. So it was provided in section 4:

No action shall be taken under authority of this act with respect to wages or salaries, (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act.

That language is fairly simple.

Then we come to the remainder of the section which reads as follows:

Or (2) for the purpose of reducing wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942.

If the act had stopped at that point there would be no question that the President was without power to reduce wages or salaries. There is no definition of salaries which would make it apply to a small or a large salary. There would be no authority conferred upon the President to reduce salaries below the figure which they had reached between January 1, 1942, and September 15, 1942. Of course, in interpreting a law the courts and the Congress are under the obligation of reading the whole law and, if possible, ascertaining the intent of the Congress in its enactment.

After saying these things the act went on to provide as follows:

That the President may, without regard to the limitation contained in clause 2—

Which I just read, relating to the National Labor Relations Act, and the Fair Labor Standards Act; notwithstanding that—

The President may adjust wages or salaries to the extent that he finds necessary in any case to correct gross inequities and also aid in the effective prosecution of the war.

Therefore the only authority, as I conceive it, which the President had to issue Order No. 9250 was based on this proviso contained in section 4, which gave him authority to adjust wages and salaries to the extent he found it necessary in any case "to correct gross inequities and also to aid in the effective prosecution of the war."

We may debate in our minds, and do so honestly and sincerely, whether the "gross inequities" referred to were individual inequities, whereby some individual, by reason of circumstances, or his employment, was receiving a wage or salary which, by comparison with other salaries and wages in a similar field, constituted a gross inequity as between him and his fellow workers, or between him and the public generally, or as between him and his Government.

I do not deem it necessary to go into that controversy. It is a field for legitimate argument. It is subject to an honest difference of opinion as to whether under that authority the President had a right to take into consideration 1,500, 2,000, or 3,000 men who were drawing more than the amount which he fixed as the limit, thereby creating a gross inequity as compared with all other wage earners, or all other salary drawers in the United States. In his interpretation of section 4 the President undoubtedly thought that the phrase "gross inequities" applied to groups of people as well as to individual wage earners or salary drawers. Based on that interpretation he issued the order.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. VANDENBERG. Conceding for the sake of the argument the point which the able Senator now makes, that the language which he quotes is somewhat equivocal, and that the President might have interpreted it in the fashion he did, is there any doubt in the Senator's mind as to what was the congressional intent and expectation and interpretation of the law when it was passed?

Mr. BARKLEY. I will come to that point in a moment.

Mr. President, I desire to supplement what I said about the President's interpretation by this observation: The President has no means of knowing what transpires within the walls of an executive session of a committee. The President would not necessarily have the means of knowing that in discussing this subject in executive session, the Finance Committee decided that the best way for it to reach the matter and deal with it was in the tax bill which was then being considered. Neither would the President have any way of knowing what had transpired within the walls of an executive session of the Committee on Banking and Currency which, as I now recall, sought to amend and did amend the bill as originally introduced so as to take away from the President the power which the committee thought the original bill gave him to deal with this subject.

My point is that regardless of the intention which the Congress arrived at in two committees in executive session, where no records are kept and where the President is not supposed to know what transpired across the table in give-and-take discussions on any provision, the President had the right when looking at the cold law itself, to interpret the word "salaries" to mean all salaries, and to interpret the phrase "gross inequities" to mean inequities which might include

1,500 or 3,000 men and women, as the case might be.

Answering the inquiry of the Senator from Michigan as to the intention of the two committees; in the first place, I think I ought to say in all frankness that so far as the discussions reveal, and so far as the action of the committees revealed, it was not contemplated by either of them that the action would be taken, which was taken, based on the proviso in section 4 of the act of October 2, 1942. When the bill came before the Senate the question was raised again here as to whether the act of October 2 conferred upon the President the power to reduce, in the language of the Senator from Michigan [Mr. VANDENBERG], all incomes, which was the question propounded to the then Senator from Michigan, Mr. Brown, who was in charge of the bill.

I recognize the validity of the point made by the Senator from Georgia in reply to my interrogatory this morning, that there was no need to ask the question about all incomes, in view of the fact that the bill itself dealt only with salaries and wages; but whether it was necessary to deal with all incomes or not, that was the question propounded by the Senator from Michigan to his colleague in charge of the bill; and, if it was not necessary to inquire about all incomes, because the bill itself mentioned only salaries, the Senator from Michigan evidently did not take that view of it, because he was particular to inquire whether the bill authorized the President to reduce all incomes, and, of course, "all incomes" would mean salaries as well as profits and income received from any source by a man or woman.

I desire, however, to be entirely frank with myself as well as with the Senator and the country. I think it is fair to say that when the bill was enacted into law, in view of the discussion in the other House and in the Senate, and in view of the discussions which occurred in both the House and Senate committees, it was not within the contemplation of Congress that the action taken would be taken. There was no guaranty to that effect; no one attempted to make a guaranty; and in the administration of a law, not only the one in question but in the administration of the act which we amended a few days ago by the Bankhead proposal with respect to the deduction of Government benefit payments and soil-erosion payments from the ceiling prices of agricultural commodities, the President had the right to make his interpretation of the language which he found in the law, especially in view of the opinion of the Attorney General to the effect that the act which the President contemplated was legal. Undoubtedly it would have been more enlightening and more revealing if the Attorney General had written an opinion giving his reasons instead of simply saying that the act contemplated by the President was legal. Be that as it may, the President, I believe, acted in entire good faith in interpreting the word "salaries" as he did interpret it, and in interpreting the clause "gross inequities" as he did interpret that clause, because the law itself

fixed no limitation upon the number of people who might be enjoying or who might be suffering gross inequities as the Administrator might interpret that clause of the law.

Mr. WILEY. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield to the Senator from Wisconsin.

Mr. WILEY. In view of the fact that a great deal of what I think might almost be termed misinformation has gone out to the country on this matter, I wonder if the distinguished Senator could give me some information on this question: Assuming that the President's order should remain in effect, in other words, that the pending bill should not pass, would the Treasury of the United States be benefited by that order remaining in effect or would there be a greater income resulting to the Treasury if the bill should be passed?

Mr. BARKLEY. There has been a general estimate—I do not know how accurate it is, because I do not think the representatives of the Treasury gave any figures a few days ago when this matter was before the Committee on Finance—but it has been generally estimated that the issuing of the order resulted in a loss. I think I might say that Mr. Stam, head of the staff of the Joint Committee on Internal Revenue Taxation of the two Houses of Congress, estimated that the loss in revenue to the Government by reason of this order was between \$100,000,000 and \$110,000,000. That is the most reliable figure I have heard with respect to it.

Mr. WILEY. In other words, then, if we should pass this bill it would operate to put more money into the Treasury than if we simply let the President's order remain in effect?

Mr. BARKLEY. Assuming that Mr. Stam is correct—and I do not vouch for his figures, because they have not been discussed so that we could cross-examine and arrive at the basis of how he established the figures—but assuming that his report or his statement on that subject is accurate, the passage of the pending bill, of course, would automatically result in that much more money going into the Treasury.

I would suggest that it is impossible to arrive at an absolutely definite and correct answer to the question asked for this reason: If all the money above \$25,000 provided in the President's order after the deduction of taxes went into the Treasury of the United States and was recaptured by the Government for war purposes it might involve one figure; and simply to deny to a recipient the receipt of the extra amount above the provisions of the President's order on the theory that the part withheld from the recipient would in some way be taxed, either directly or indirectly, because the corporation itself or the employer would withhold from the wage or salary earner that much money which would otherwise be paid in salaries might involve another figure. I suppose it is true that there would be some increase in revenue in the latter case; but how to adjust the balance between what would be collected in the

higher brackets out of what is withheld from a man who otherwise would draw more than \$25,000 and what the Government would get into the Treasury if it itself recaptured all the excess, it is impossible for me to calculate. I presume that the \$110,000,000 is offset in some respects by whatever indirect taxes might go into the Treasury because the corporation would pay a tax upon that part of a salary withheld under the President's order. So I think, by any fair calculation and any fair estimate, we might say that because of the difference between what the Treasury would get by the taxing of the income of a corporation in the higher brackets on what it does not pay in salaries and that which would otherwise go to the Government if the Government itself withheld it, there would be a net loss to the Treasury of the United States.

I think I should make a further statement. I do not make it after any consultation with the President of the United States. I have not talked with him about the pending bill one way or the other. I did have a conversation with him months ago, even before the tax bill became a law, on the subject of the \$25,000 limitation, and, of course, I am not at liberty to repeat that conversation. The President has been consistent all the way through. From the beginning I took the position that if any limitation should be imposed in the way of a salary limitation, to be arrived at by a deduction of Federal taxes from the gross amount earned in order to arrive at a net of \$25,000, all other taxes likewise should be taken into consideration, and, in my opinion, I have not deviated from that view. In other words, I do not think there is anything any more sacred in a Federal tax, or an obligation to the Federal Government, than there is in an obligation to a State, county, or city, and I have always believed, and I now believe, that if the Federal tax is to be eliminated in order to arrive at the \$25,000, State taxes, county taxes, and city taxes, and all other taxes which constitute obligations to any form of government, large or small, should be deducted in the same way in arriving at the net sum.

In the President's order he did not provide for one thing in which I have always believed. There are many people who have property upon which they pay taxes. There are many others who make large incomes who do not have property. They make their investments, not in real estate, but in life insurance. They take out life insurance policies in order that their families may not suffer if death calls them suddenly; in other words, that they may leave an estate to their wives and their children; whereas others invest all their money in real estate, upon which they pay taxes, leave that to their wives and children.

It has been my contention from the beginning that if those who have property, who invest their savings in property, are to be allowed to deduct their taxes upon such property in order to determine the maximum of \$25,000 a year net, those who insure their lives in order to leave their families an estate in the form of a

life-insurance policy should likewise have the right to deduct the premiums paid upon their policies, in order to create an estate similar to that which would be created by the ownership of real estate by the taxpayer. In his order the President recognized the justice of that contention, I think, by providing that premiums upon life-insurance policies might be deducted in the consideration of the \$25,000 limitation.

As I stated a while ago, the President has been consistent about this matter. Before the enactment of the tax bill or the price bill he urged it upon Congress. There was nothing new in it. It has been asserted in the newspapers that this idea of the President was taken from the platform of the Communist Party somewhere, that it was an original C. I. O. proposition, and therefore should be condemned. There is nothing new about the theory. In 1924 the Democratic and Republican Parties made some declarations about this matter, not in the exact form, but they were squinting at the same idea, for in the platform of the Democratic Party in 1924, soon after the soldiers had returned from World War No. 1, the Democratic Convention made this declaration:

In the event of war in which manpower of the Nation is drafted, all other resources should likewise be drafted. This will tend to discourage war by depriving it of its profits.

That was in 1924, 19 years ago. The Republican platform in the same year went further than did the Democratic platform. This is what the Republican platform said:

We believe that in time of war the Nation should draft for its defense not only its citizens but also every resource which may contribute to success. The country demands that should the United States ever again be called upon to defend itself by arms the President be empowered to draft such material resources and such services as may be required, and to stabilize the prices of services and essential commodities, whether utilized in actual warfare or private activity.

That was in the platform of the Republican Party in 1924; when it demanded that if we ever got into war again we should not only draft men, not only require them to risk their lives and their limbs and their health for the cause, but that resources and services should likewise be drafted, and that the President of the United States should be authorized by Congress "to draft such material resources and such services as may be required, and to stabilize the prices of services and essential commodities."

Of course, salaries or wages are the price of services, which the two platforms, nearly 20 years ago, soon after the last war, declared in favor of drafting.

Congress has not yet done that specifically by act. Even though we are in war again, Congress has not yet by law drafted all resources and all services. But when the President issued the order which he promulgated, order No. 9250, he was not merely relying upon the interpretation of the word "salary" which he found in the law, he was not relying upon the advocacy of that policy by any particular organization, but he had the

right to rely upon the fact that both political parties meant what they said when they declared in 1924 that the President should be authorized not only to draft resources and services, but to fix the prices of services during the war.

Mr. President, I call attention to these points in order that the record itself may be established and clear. Not only the present President of the United States, but the men who two decades ago ran upon the platforms from which I have quoted, declared themselves before the people of the Nation as being in favor of a principle advocated then by the returned soldiers, advocated then and since by the American Legion, as the representative of the returned soldiers who fought in World War No. 1, that if we should ever again engage in warfare, we should not satisfy ourselves with drafting and commandeering the limbs and the bodies and the lives of men, but that we should also draft resources and services, including salaries and wages, and stabilize the prices of commodities, that we should treat these things in the same way at least in which we treat the life, blood, flesh, and bone of human beings.

There was therefore nothing inconsistent in the President's attitude, not only so far as the individual was concerned, but there was nothing inconsistent as between him and the declarations of the two great political organizations of this country on the subject of utilizing commodities and services, conferring upon the President the power to fix and to stabilize the prices thereof. There is nothing any more sacred about a wage or a salary than there is about the price of cotton, or of wheat, or of tobacco, or of cattle, or of commodities which are produced as a result of the activities of human beings. So much for that.

I did not believe the amendment affecting the order of the President should have been attached to a bill increasing the debt limit, and when the Finance Committee met and authorized a report, without amendment, of the original bill introduced by the Senator from Georgia [Mr. GEORGE], which merely provided for increasing the debt limit to \$210,000,000,000, I think it was the unanimous view of the Committee on Finance, without regard to party or economic viewpoint, that no amendment should be added to the bill, that it should provide merely for an increase in the debt limit of the United States of America.

He did not make that report because it was recognized, I think, as a matter of propriety, if not as a matter of constitutional right, that the House should act first on the increase of the debt limit, because it was an authorization for the issue of bonds, which has always been regarded as a revenue matter which must originate in the House. If the House Committee on Ways and Means had reported to the House a simple bill increasing the debt limit to \$210,000,000,000, the amendment with which we are now dealing would not have been in order on the floor of the House, because it was not germane to the bill increasing the debt limit, and no doubt would have been declared out of order if a point of

order had been raised against it. But it was placed in the bill by the Committee on Ways and Means, reported to the House with that provision in it, passed by the House, and it is here now on our doorstep and we must deal with it.

Mr. President, I think the Senate committee was wise in striking out the so-called Disney provision and substituting the language of the committee amendment. I happened to be out of the city when the committee met and do not know what transpired in the committee, but I myself would be better satisfied with the committee amendment if it had not eliminated the last proviso of section 4 of the Price Control Act of October 2. I still think there may be instances and situations where it would be wise to retain the authority for the Price Administrator, or the Economic Stabilizer, or the President to deal with individual gross inequities which may be found.

Notwithstanding the fact that I would be better satisfied if that provision had not been eliminated, I think the Senate committee amendment as a whole is a vast improvement over the House provision in the bill, and it is my purpose to vote for the committee amendment as a substitute, because I believe it is an improvement, and because I believe that the dates fixed in the committee amendment harmonize with the general theory of the bill as it passed the House with respect to the dates January 1 and September 15, 1942.

Mr. President, I realize that when the committee amendment is adopted, if it shall be adopted, and I presume it will be, there will be presented to the Senate the question whether, with the committee amendment, dealing with the question of the President's order in the bill it would be our duty to vote against the bill increasing the debt limit with that provision in the bill, or whether it would be our duty to vote for the bill extending the debt limit notwithstanding the fact that the bill contains the amendment dealing with the \$25,000 salary limitation order of the President.

I shall vote for the committee amendment, much as I regret the injection of this question into the bill, and much as I feel that the Congress ought to have been fair enough to have dealt with it on its own merits and not tied it up with essential and emergency legislation, so that the President could have passed upon it on its merits. That, by the way, confirms me somewhat in my growing advocacy of the suggestion of the Senator from Michigan [Mr. VANDENBERG] and other Senators that the President ought to have the right to veto items in a bill, not simply in an appropriation bill, but in other bills, so that he might pick out an undesirable provision of a bill and veto it, with the provision, of course, that the Congress could still pass upon the item after the exercise of the veto. I think it would have been fairer to the President and to the country not to have taken advantage of a legislative situation which existed, and still exists, to tack this extraneous thing onto a bill which must be passed, and without much delay, simply in order to embarrass or compel the President either to sign the bill with,

so far as he is concerned, an objectionable provision in it, or to veto the entire bill, and thus defeat the obvious needs of the Treasury in increasing the debt limit so it may go forward with its war financing.

I am going to vote for the committee amendment because I think it is an improvement over the House language. Notwithstanding the objectionable legislative situation to which I have referred, I feel it to be my duty to vote for the bill, because I think the objectives of the increase in the debt limit are more important for the time being than the controversy over the language of the two bills regarding the exercise of Presidential authority in limiting of salaries.

Mr. President, I do not look upon this subject from a political standpoint, certainly not from a partisan standpoint. Senators on both sides of the aisle, and persons throughout the country have honest differences of opinion about it. I do not want to inject any political equation into it more than I have by quoting from both political parties, which makes it nonpolitical in the narrow sense. But it is not going to be so very easy, I should say, to convince eight or ten million American soldiers who are required to serve their country for \$600 a year, that the President has done any very great injustice in limiting salaries to \$25,000 a year. It does not affect me one way or the other. So far as I know, it does not affect anyone who is kin to me even remotely, so I have no personal interest in the matter one way or the other. But there are many attitudes, there are many positions, there are many conceptions which are going to come out of this war which most of us have not thought very much about, and most of us have not thought through. Notwithstanding the furor raised about this matter, about the questionable policy involved, as it is said, in the President's issuing an order of this kind under language which he himself had a right to interpret, I am not so certain that the furor which has been raised about it will find universal response in the hearts of all the American people when they come to pass upon it in their own good way and in their good day.

Notwithstanding these doubts which I myself entertain about these questions, I feel it my duty to vote for the Senate committee amendment, and to vote for the bill.

Mr. President, I ask unanimous consent to have printed in the RECORD as part of my remarks at this point the letter written by the President of the United States on this subject addressed to the chairman of the House Committee on Ways and Means, Representative DOUGHTON.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

FEBRUARY 15, 1943.

HON. ROBERT L. DOUGHTON,
Chairman, Ways and Means Committee,
House of Representatives,
Washington, D. C.

DEAR MR. CHAIRMAN: Some days ago you wrote me that there was a proposal before your committee to amend the public debt bill by adding a provision nullifying the

Executive order issued by me under the act of October 2, 1942, limiting salaries to \$25,000 after taxes, and asked if I cared to submit any views with reference to the proposal. In reply, I told you that I hoped the public debt bill could be passed without adding amendments not related to the subject, but that if the committee thought otherwise I would later write you my views.

In a message to the Congress on April 27, 1942, I stated, " * * * discrepancies between low personal incomes and very high personal incomes should be lessened; and I therefore believe that in time of this grave national danger, when all excess income should go to win the war, no American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year." Thereafter the Treasury advised the committee "to implement the President's proposal, the Treasury now recommends the enactment of a 100 percent war supertax on that part of the net income after regular income tax which exceeds a personal exemption of \$25,000. * * * It is recommended that for the purpose of the supertax joint returns be made mandatory and that a personal exemption of \$25,000 for each spouse be allowed, or in effect \$50,000 for the married couple."

So far as I know, neither House of the Congress acted upon the recommendation.

When the act of October 2, 1942, was passed it authorized me to adjust wages or salaries whenever I found it necessary "to correct gross inequities and also aid in the effective prosecution of the war." Pursuant to this authority, I issued an Executive order in which, among other things, it was provided that in order to correct gross inequities and to provide for greater equality in contributing to the war effort, no salary should be authorized to the extent that it exceeds \$25,000 net after the payment of taxes. Provision was made for certain allowances in order to prevent undue hardships.

The legality of the Executive order was attested by the Attorney General prior to its issuance. No Executive order is issued without such approval.

The regulation issued under this order, with my approval, was so worded that it affected only gross salaries in excess of \$67,200, the amount of taxes due upon such salaries reducing them to approximately \$25,000 net. I could not exercise the discretion vested in me by the Congress to adjust salaries without finding that it is a gross inequity in wartime to permit one man to receive a salary in excess of \$67,200 a year while the Government is drafting another man and requiring him to serve with the armed forces for \$600 per year. I believed it a gross inequity for the president of a corporation engaged in the production of materials for the Government to receive a salary and bonus of \$500,000 a year while the workers in the corporation were denied an increase in wages under the provisions of the law and my Executive order. The correction of such inequities, I believed, would aid in the effective prosecution of the war.

I call your attention to the fact that the limitation of salaries was, by the language of the order, limited to the war period; and that the law upon which the order was based expires June 30, 1944, and can be continued only by the affirmative action of the Congress. Therefore, no fair argument can be made that the limitation was intended either by the Congress or by the Executive to become permanent law. The intention was made plain in my original message. I then and there affirmed my belief that this limitation should be made "in time of this grave national danger when all excess income should go to win the war."

This desire to limit personal profits during wartime is no new thought. Its origin is neither alien nor obscure. It is in accord

with the solemn pledges of the Republican Party and the Democratic Party.

In 1924, just after our soldiers had returned from the First World War and the leaders of both parties were conscious of the views of the returning soldiers as to war profiteering, the Republican Party declared in its platform:

"We believe that in time of war the Nation should draft for its defense not only its citizens but also every resource which may contribute to success. The country demands that should the United States ever again be called upon to defend itself by arms, the President be empowered to draft such material resources and such services as may be required, and to stabilize the prices of services and essential commodities, whether utilized in actual warfare or private activity."

The Democratic Party platform, the same year, solemnly pledged:

"In the event of war in which the manpower of the Nation is drafted, all other resources should likewise be drafted. This will tend to discourage war by depriving it of its profits."

I repeat, this was in 1924, not 1928, and that these were the platforms of the Republican and Democratic Parties.

I agree with those who say that the limitation of salaries does not deal adequately with the problem of excessive personal profits and that the limitation should extend to all income. My Executive order endeavored to correct the inequity to the extent of the power granted me. The Congress can, however, make the limitation adequate by extending it to the coupon clipper as well as the man who earns the salary.

Therefore, I urge the Congress to levy a special war supertax on net income from whatever source derived (including income from tax exempt securities) which, after payment of regular income taxes, exceeds \$25,000 in the case of a single person, and \$50,000 in the case of a married couple. If the Congress does not approve the recommendation submitted by the Treasury last June that a flat 100-percent supertax be imposed on such excess incomes, then I hope the Congress will provide a minimum tax of 50 percent with steeply graduated rates as high as 90 percent. The exact amount of the exemptions to be allowed and the exact rate of taxation to be applied are necessarily arbitrary and these are matters the Congress must decide.

If taxes are levied, which substantially accomplish the purpose I have indicated, either in a separate bill or in the general revenue bill you are considering, I shall immediately rescind the section of the Executive order in question. The Congress may appropriately provide that such taxes should take the place of the \$25,000 limitation imposed by Executive Order.

I trust however that without such tax levies, the Congress will not rescind the limitation and permit the existence of inequities that seriously affect the morale of soldiers and sailors, farmers and workers, imperiling efforts to stabilize wages and prices, and thereby impairing the effective prosecution of the war.

Very truly yours,

ADMINISTRATIVE BUNGLING DESTROYS CONFIDENCE

Mr. MOORE. Mr. President, appearing in the newspapers today are various advertisements by the Treasury Department which urge the people throughout the country to buy War bonds. These advertisements are of various types and character; they are persuasive; and they are intended to be persuasive because of the need by the Treasury of the money for all the costs of war. These efforts on the part of the Treasury are com-

mendable, and the need for the purchase of War bonds exists; also the very great need for extending unlimited credit to the Government exists. Of course, it is generally understood that the proceeds from the sale of War bonds are to be applied to the war needs. There appears frequently the evidence of willingness on the part of the people to buy War bonds to the full extent of their capacity. Everyone recognizes that it is the duty of all good Americans to extend to their Government full faith and credit in its honest effort to win this war. All men and women recognize, and willingly consent, that their Government must be supported in this war effort.

Everyone recognizes the need for placing in the hands of the Government every needed resource of the people for this purpose. Almost all people realize that the proceeds from the sale of War bonds should be applied to the war needs, and most people believe that nonessential spending should cease while this great war burden exists. I want to call attention to the following advertisement of the Treasury Department:

WHAT WILL YOU BUY WITH WAR BONDS?

Rural electrification has made great strides during the past 10 years, bringing to thousands of farm homes the conveniences of their city brothers. Today, however, copper wiring, fixtures—all the materials which are required for rural electrification—are out for the duration. The farmers of the Nation, however, can start now buying rural electrification and all the equipment which goes with it through purchase of War bonds. Your War bonds today will buy rural electrification tomorrow and give you back \$4 for every \$3 you invest.

The above advertisement emphasizes that all the materials which are required for rural electrification are "out for the duration" of the war. It also emphasizes that money now invested in War bonds will buy rural electrification tomorrow and will give back \$4 for every \$3 invested.

We understand that the rural electrification activity is conducted by a Government-sponsored corporation, that it is engaged in the building of transmission lines and the distribution of electricity for the rural communities of the country, that its capital is contributed by the Government, and that its operation is under the supervision of a corporation created for that purpose. Money is expended from the United States Treasury only by appropriations made by Congress. The Treasury of the United States is without authority to represent to the purchasers of War bonds that the proceeds of the War bonds will be used for rural electrification. The statement made in the advertisement referred to—"your War bonds today will buy rural electrification tomorrow and give you back \$4 for every \$3 you invest"—is not true. Such a statement made on the part of those in private industry to induce the purchase of stocks, bonds, or other securities would constitute a fraud under the laws of the country. It will take years for \$3 invested in War bonds to yield \$4, and the Treasury is going beyond its authority and power in stating to the farmers that the proceeds, or any

part of them, can be applied to the purchase of rural electrification.

A representation of the same character made by individuals would be, under most of the State laws, in violation of the blue-sky laws governing the sale of securities in private enterprise. It would be in violation of the conduct exacted by the S. E. C. on the part of corporations and individuals. Does not such persuasive effort as that indicated in the advertisement create a distrust in the Government on the part of investors? Would not there likely be more unity of purpose if the prospective purchasers were told that the money was needed directly for war purposes? Cannot the people of the country be depended upon to respond to the appeal of the Government if told the plain, unvarnished truth? Will not such representations, which are literally untrue, tend to build up a lack of confidence on the part of the people in their Government? When the people lose confidence in their Government, disunity follows. Disunity on the part of the American people today, during this country's crisis, would be deplorable. It was disunity between the Government of France and the people of France that caused its enslavement. Disunity in our country might lose us the war.

A great deal has been said about the smugness and complacency of the people of the country. There is not, and never has been, smugness and complacency on the part of the American people with reference to this war. The smugness and complacency lie with official Washington. Probably a million homes in the country will be saddened and bereaved before this war is won. Today the first and uppermost thing in every good American's mind is the winning of the war with a minimum loss of life. We have to pay the price in the defense of all we cherish. We will give—and we will give willingly—of everything we possess, to the winning of this war in the shortest possible time. We will give all our treasure, to the point of complete exhaustion, and will give it willingly.

We will give every necessary directive of our lives to that end; we will give to the Government, through its officers, every needed thing we possess; but we exact from this Government of ours a fidelity of purpose on its part. We exact from the Government the requirement that every patriotic man and woman in the country be given an opportunity to make his or her contribution to the winning of the war; but the inefficient, political prosecution of the war has caused the people to have a lack of confidence in the Government. Lack of confidence in the Government will produce a disunity of purpose which will result in prolonging the war and in the unnecessary sacrifice of lives and treasure. Under the emergency of war there has been created in the country an unwieldy, inefficient mass of bureaus which work at cross purposes with one another and produce confusion and frustration among the people. Even the President and those directly responsible under him for the conduct of the war produce daily evidences of a lack of cooperation. They issue conflicting

statements to such an extent that the people are unable to determine who is right.

There has been discussed in the present Congress legislation for the modification of the Selective Service Act; there are pending now such legislation and such intents upon the part of Congress. There are pending now in Congress efforts to solve the many problems confronting the farmers of the country. There is a conflict between the Office of Price Administration and the agricultural branch of the Government that has produced nothing but confusion, frustration, and discouragement on the part of the producers on the farms. The administration of the Selective Service Act has made a large contribution to the depletion of the needed manpower on the farms. The exercise of the powers of the War Production Board has resulted in the scarcity of machinery and tools for the operation of the farms. The demand for products from the farms is greater than it has ever been in the history of the country. The demand for men on the part of the armed forces of the country is thought to be greater than the country can sustain. It is thought that granting the demands by the Army will cause a break-down of production both in the factory and on the farm. The manpower of the farms has been depleted both by the induction of its men into the Army and because of the disparity as to wages between the farm and the factory. The orderly process that makes possible production from the farms is so dislocated as to produce a frightful apprehension of a scarcity of food for the armed forces, both our own and our allies.

Right now, in the midst of all this confusion and frustration and distraction, the country is being treated to political maneuvering for what is called the fourth term. An effort is being made by every means, fair or foul, to create in the minds of the people a belief that we depend upon one man, and one man only for the effective administration of the war effort, the securing of the peace, and the maintenance of our domestic economy. That is contrary to American concepts; it is destructive of constitutional government.

By every means available, there is an attempt to concentrate all power in a central government, to the total destruction of the States and their reserved powers under the Constitution. Today there have been created in the country units that conflict with constitutional concepts. They are called regions. State governments are ignored; the governors and their functions have been supplanted by bureaus created in Washington. Today every contributory enterprise is forced to maintain numerous representatives in Washington, supplanting the bureaucrats, in order to have an opportunity to make its contribution to the war effort. In place of appealing to the patriotism of the people, directives are constantly being issued. Those directives, orders, and edicts do not find a ready lodgment in the minds of the people. They feel that an appeal to their patriotism and love of country would be met with effective response.

Quoting from the language of resolutions adopted by State legislatures, we find that they favor "the removal of all restrictions on production of essential war products," and urge that each farmer be permitted to plant an unlimited amount of any crop, without any interference from any person or bureau, or bureau representative, so that his production will be limited only by his inability to obtain labor; that the farmers are 100-percent patriotic and will produce to the limit of their ability, if permitted to do so; and that the rationing of gasoline and other motor fuels for farm tractors and trucks be confined to the O. P. A., so that it will not be necessary for anyone to obtain permission from more than one agency in order to get the needed fuel, and thus save duplication of effort. No such liberty of action is permitted the farmer. He is hindered daily by senseless, conflicting directives from a multiplicity of bureaus and bureaucrats. Uncertainty of every kind and character stalks his every effort. The price fixing and the price ceilings on the products of the farm, established on foods and livestock, are so dislocating as to render indefinite the results of the operations of the activities necessary to produce food for the country.

In addition to these confictions, hindrances, and distractions from bureaus created under the administration under the cloak of the war effort, there is another great hindrance to which we generally refer as labor racketeers or labor managers. There has just been published for the public to read an article entitled "Democratic Party Forgets How Hungry It Used to Be," by Daniel J. Tobin. It appears in the April issue of the International Teamster, official publication of the Teamsters' Union. It is being mailed in advance to all Senators and Representatives in Congress, international unions, central labor bodies, and many labor leaders, and public officials. Mr. Tobin asserts dissatisfaction with both the Democratic and Republican Parties. He says that the Democratic Party should recognize the fact that it owes its majority to the workingmen's vote, which has been directed and substantially influenced by the trade-union movement of America; that the southern Democrats do not care much about labor, but that if the Democratic Party should lose its majority, the southern Democrats now holding the most important positions, both in the House and the Senate, would lose their majority influence on very important committees; and that the southern Democrats are crucifying labor. He asks us to remember that their power and influence is due to the fact that their party is in control and was placed in control by the labor vote of the United States.

Mr. Tobin claims to have been successful in cementing every element of organized labor in behalf of Democratic candidates in 1932, 1936, and 1940. He also warns that unless the Republicans govern themselves by progressive expressions they will never get back the control of the political machinery of the United States. Then Mr. Tobin's article goes on to

criticize quite vehemently the War Labor Board, and to warn that the farmers of the country do not control elections, but that elections are controlled by union labor. He admonishes Congress to cease its efforts to convince itself that it is now stylish to attack labor, and that if it does not desist—

You will find yourselves on the outside looking in as you were from March 4, 1931, until March 4, 1933.

He also says—

Then you won't have much to say about political jobs for your friends.

If we persist, says Mr. Tobin, in driving labor too far, labor, being human, will retaliate and resent our actions. He suggests that labor may take the position that if it is to be crucified, it would rather be crucified by those who do not claim to be its friends.

Congress is also warned that labor leaders still have considerable influence over labor itself, and that we can depend upon the labor vote being cast under the direction of the labor leaders. Many of us think that organized labor, though it is only a small minority of labor as a whole, did dominate the elections referred to, and many of us think that today union labor, though it is a minority of labor throughout the country, has the present administration literally by the throat. Labor constitutes millions of men and women throughout the country who do not belong to labor unions. Millions of laborers outside the unions, and millions of farmers and workers in all the other industries and activities outside the so-called labor unions are governed by the minority of which Mr. Tobin speaks. He threatens that if we do not continue to favor and take dictation from union labor, it will turn against us and submit to crucifixion at the hands of those who do not even claim to be its friends.

This brings us to the fear that the New Deal administration has made such a Frankenstein out of union racketeers that it now fears its very creation. It seems that there is justification for the fear that we may have a government within a government that is greater than the Government itself. Some of us think that this is destructive of constitutional government. Some of us are convinced that the present administration has brought about a condition that prevents unity because of the inequities resulting from special privileges to union labor exacted by their dominant labor leaders and others who are not organized as the unions claim to be organized.

The fact is that labor unions themselves are victims of profiteering labor racketeers, and those profiteering labor racketeers are the product of the New Deal administration. The New Deal administration has made the so-called labor oligarchy so strong that it fears to cross swords with it. No right-thinking persons have any fault to find with the organization of labor to the end that it may be treated fairly. Few employers have any objection to the organization of labor; but employers cannot function efficiently and effectively under the present domineering practices of the labor tyrants. Labor will suffer—as labor well

knows—in the continuance of this practice. Employers and employees may well know that if the present practice continues, free and private enterprise will cease to exist and will give way to whatever politicians may happen to be in power.

We no longer have the relationship of employer and employee. Labor itself has become a pawn between managers of enterprise and managers of labor. Labor can be forced to strike or sit down and cease production by the dictates of the labor overlords; and Government can do nothing except to take over from the employers the management of their enterprises. This, followed to its last degree, will result in an enterprise being controlled and managed by Government; and then will follow complete dictatorship over everything, labor included. This is the pattern always followed by totalitarian governments; and this pattern, followed as it is now being followed, would lead precisely to governmental tyranny and dictatorship.

Today this country is treated to propaganda for the necessity of the continuation of the party in power. Multiplied millions of dollars are being spent for that purpose, and there is an attempt to create in the minds of the people the impression that a fourth term is necessary for winning the war and winning the peace after the war. This is being done in the midst of a crisis in our country; and anyone who appears to take issue with this propaganda is immediately branded as an isolationist or a traitor. Millions of us, however, believe that the continuance of dishonesty and deceit in Government is the contribution on the part of this administration, which is producing, and will continue to produce, a necessary lack of cooperation on the part of the people in all their enterprises looking to the expeditious winning of this war and the writing of a just and lasting peace at its close.

All this drain of vast expenditures, under the cloak of war, may produce total bankruptcy, which is always followed by such distress and distraction that dictatorship logically follows. Great numbers of examples of excessively vast and unnecessary expenditures of public funds could be cited which, if continued, will become so burdensome that the destruction of our capitalistic system will result. Quoting from a contemporary patriot and statesman—

The free enterprise system can have its blood sucked out of it by the vampire of taxation with the same result as if it faced a firing squad.

It is to be hoped that the people are becoming conscious of that fact. Evidences of this consciousness, we think, were manifested at the recent elections. It is to be hoped that the people have come to realize that the Congress is the last great bulwark of the people's liberties and freedom.

The people's vote in the last election indicated that they had lost faith in the Congress. They sent a great many untried and inexperienced Members to both branches of the Congress to supplant stalwarts of the prior Congress. Of course, many of us have a feeling of dif-

fidence and a consciousness of our lack of experience, of which we have been reminded and expect to continue to be reminded; but out of the expressed and ardent hope that we feel the people believe in our good intent and fidelity of purpose, we will be emboldened to move for the preservation of the greatest government of all time.

We are mindful of the momentous problems confronting us. We will strive for a right solution of those problems as God gives us the light to see them. Having made these promises, we shall hope that when error comes into our acts we shall have the courage and strength to admit the errors and repair the damage at the earliest possible moment. We shall go about our work humbly and determinedly, with gratitude in our hearts for the opportunity which we have had to live in this country, and hope that our reward will be the consciousness of having done our best. We pledge ourselves now to a devotion to reparation of the greatest damage that was ever done to any country, any time, anywhere, by this administration, both in peace and in war.

Mr. REED. Mr. President, as one of the older Senators—but not very old—I have joined my colleagues in recognizing the great ability, high class, and fine character of the new Senators to whom the Senator from Oklahoma [Mr. MOORE] has made reference. I should like to ask the Senator from Oklahoma when they expect to display those qualities of shrinking modesty and self-effacement to which the Senator has adverted? [Laughter.]

INCREASE IN THE PUBLIC-DEBT LIMIT— LIMITATION OF SALARIES

The Senate resumed the consideration of the bill (H. R. 1780) to increase the debt limit of the United States, and for other purposes.

Mr. LANGER. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Gurney	Pepper
Austin	Hatch	Radcliffe
Bailey	Hawkes	Reed
Ball	Hayden	Revercomb
Bankhead	Hill	Reynolds
Barkley	Holman	Russell
Bone	Johnson, Calif.	Scruggam
Brewster	Johnson, Colo.	Shipstead
Brooks	La Follette	Smith
Buck	Langer	Stewart
Burton	Lodge	Taft
Bushfield	Lucas	Thomas, Idaho
Butler	McCarran	Thomas, Okla.
Byrd	McClellan	Thomas, Utah
Capper	McFarland	Tobey
Caraway	McKellar	Tunnell
Chavez	McNary	Tydings
Clark, Mo.	Maloney	Vandenberg
Connally	Maybank	Van Nuys
Danaher	Mead	Wagner
Downey	Millikin	Walsh
Ellender	Moore	Wherry
Ferguson	Murray	White
George	Nye	Wiley
Gerry	O'Daniel	Willis
Gillette	O'Mahoney	Wilson
Green	Overton	

The ACTING PRESIDENT pro tempore. Eighty Senators having answered to their names, a quorum is present.

Mr. LANGER. Mr. President, I offer the following amendment to the committee amendment: On page 4, after line 10, insert the following:

Provided, That the President may, without regard to the limitation contained in clause (2), adjust wages or salaries to the extent that he finds necessary in any case to correct gross inequities and also aid in the effective prosecution of the war.

Mr. President, this would leave section 4 exactly as it was before the last four lines were eliminated by the Committee on Finance.

Mr. TAFT. Mr. President, will the Senator yield for a question?

Mr. LANGER. I yield.

Mr. TAFT. Am I correct in understanding that the Senator has no objection to the last part of the committee amendment, which would nullify the President's order?

Mr. LANGER. No; I am in favor of the President's order.

Mr. TAFT. As I understand, the Senator's amendment would not change the express provision of the committee amendment, which would nullify the order.

Mr. LANGER. It would not nullify the President's order, because my amendment is proposed as an addition, and it would leave the law exactly the way as it is at the present time.

Mr. TAFT. The next paragraph of the committee amendment would nullify the President's order.

Mr. LANGER. My amendment proposes to strike out everything thereafter.

The ACTING PRESIDENT pro tempore. The amendment offered by the Senator from North Dakota to the amendment reported by the committee will be stated.

The CHIEF CLERK. On page 4, after line 10, in the committee amendment, it is proposed to insert "*Provided*, That the President may, without regard to the limitation contained in clause (2), adjust wages or salaries to the extent that he finds necessary in any case to correct gross inequities and also aid in the effective prosecution of the war" and to strike out lines 11 to 20, inclusive, as follows:

(b) (1) Section 7 of title II, and all other provisions of Executive Order No. 9250, "Providing for the stabilization of the national economy" issued October 3, 1942, and all provisions of Regulation No. 4001.9, promulgated by the Economic Stabilization Director on October 27, 1942, which are in conflict with this section are hereby rescinded; and (2) all orders, regulations, and other directives, and all decisions, promulgated or made by virtue of the said Executive order or regulation which are in conflict with this section are hereby rescinded.

Mr. GEORGE. Mr. President, all the Senator is doing is opposing the committee substitute. He could accomplish identically the same object if the substitute were rejected. He could then offer any amendment he wished to the House text. I have no objection to a vote on the amendment.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from

North Dakota [Mr. LANGER] to the amendment reported by the committee.

Mr. LANGER. Mr. President, I ask for the yeas and nays.

The yeas and nays were not ordered.

The amendment to the amendment was rejected.

The ACTING PRESIDENT pro tempore. The question now recurs on agreeing to the committee amendment on page 3, after line 7.

Mr. LANGER. I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. McNARY (when his name was called). I have a pair with the junior Senator from Pennsylvania [Mr. GUFFEY]. If he were present, he would vote "nay." If I were permitted to vote, I should vote "yea."

Mr. THOMAS of Utah (when his name was called). I have a general pair with the senior Senator from New Hampshire [Mr. BRIDGES], who is necessarily absent. I transfer that pair to the junior Senator from Mississippi [Mr. EASTLAND] who, I am advised, if present and voting, would vote "yea." I am therefore at liberty to vote. I vote "yea."

The roll call was concluded.

Mr. CLARK of Missouri. I desire to announce that my colleague [Mr. TRUMAN] is absent on official business for the Special Committee to Investigate the National Defense Program. If present, he would vote "yea."

Mr. BARKLEY. I announce that my colleague [Mr. CHANDLER] is absent on official business. If present, he would vote "yea."

Mr. HILL. I announce that the Senator from Florida [Mr. ANDREWS] and the Senator from Virginia [Mr. GLASS] are absent from the Senate because of illness.

The Senator from West Virginia [Mr. KILGORE] and the Senator from Washington [Mr. WALLGREN] are absent on official business for the Special Committee to Investigate the National Defense Program.

The Senators from Mississippi [Mr. BILBO and Mr. EASTLAND], the Senator from Idaho [Mr. CLARK], the Senator from Pennsylvania [Mr. GUFFEY], and the Senator from Utah [Mr. MURDOCK] are detained on important public business.

The Senator from Montana [Mr. WHEELER] is necessarily absent.

Mr. McNARY. The Senator from Pennsylvania [Mr. DAVIS] is necessarily absent on important public business.

The Senator from New Jersey [Mr. BARBOUR] and the Senator from Wyoming [Mr. ROBERTSON] are necessarily absent.

The Senator from Michigan [Mr. FERGUSON] and the Senator from Maine [Mr. BREWSTER] are detained in a meeting of the Truman committee.

I am advised that, if present, all the Senators mentioned would vote "yea."

The result was announced—yeas 74, nays 3, as follows:

YEAS—74

Aiken	Ball	Brooks
Austin	Bankhead	Buck
Bailey	Barkley	Burton

Bushfield	La Follette	Russell
Butler	Lodge	Scruggam
Byrd	Lucas	Shipstead
Capper	McCarran	Smith
Caraway	McClellan	Stewart
Chavez	McFarland	Taft
Clark, Mo.	McKellar	Thomas, Idaho
Connally	Maloney	Thomas, Okla.
Danaher	Maybank	Thomas, Utah
Ellender	Mead	Tobey
George	Millikin	Tunnell
Gerry	Moore	Tydings
Gillette	Murray	Vandenberg
Green	Nye	Van Nuys
Gurney	O'Daniel	Wagner
Hatch	O'Mahoney	Walsh
Hawkes	Overton	Wherry
Hayden	Pepper	White
Hill	Radcliffe	Wiley
Holman	Reed	Willis
Johnson, Calif.	Revercomb	Wilson
Johnson, Colo.	Reynolds	

NAYS—3

Bone	Downey	Langer
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NOT VOTING—19

Andrews	Davis	Murdock
Barbour	Eastland	Robertson
Bilbo	Ferguson	Truman
Brewster	Glass	Wallgren
Bridges	Guffey	Wheeler
Chandler	Kilgore	
Clark, Idaho	McNary	

So the amendment of the committee was agreed to.

The ACTING PRESIDENT pro tempore. The bill is before the Senate and open for further amendment. If there be no amendment to be proposed, the question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill H. R. 1780 was read the third time and passed.

Mr. GEORGE. I move that the Senate insist upon its amendment, request a conference with the House thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Acting President pro tempore appointed Mr. GEORGE, Mr. WALSH, Mr. BARKLEY, Mr. LA FOLLETTE, and Mr. VANDENBERG conferees on the part of the Senate.

MESSAGE FROM THE HOUSE—ENROLLED BILL SIGNED

A message from the House of Representatives, by Mr. Swanson, one of its clerks, announced that the Speaker pro tempore of the House had affixed his signature to the enrolled bill (S. 677) to amend the National Housing Act, as amended, and it was signed by the Acting President pro tempore.

TREASURY AND POST OFFICE APPROPRIATIONS

Mr. TYDINGS. Mr. President, I move that the Senate proceed to the consideration of House bill 1648, making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1944, and for other purposes.

Mr. McNARY. Mr. President, I observe that it is now 10 minutes after 4 o'clock, and we would have to give hurried consideration to the bill if we were to conclude its consideration today. I should like to have a little time to read the report. Indeed, I did not know that it was contemplated the bill would be brought up today. I have no objection

to making it the unfinished business, provided we can proceed to its consideration at the next session of the Senate, which I think will be on Thursday. That will give us all ample time to study it. Frankly, as I have said, I did not know that it was in contemplation to bring the bill up today, or that a motion would be made to that effect. I should like to have a little time to go through the bill and the report of the hearings. This is one of the annual appropriation bills. Certainly a bill carrying an appropriation of a billion dollars might well be studied and considered for 48 hours. I appeal to the very able and accommodating Senator from Maryland that the bill be made the unfinished business. I have no objection to that being done, if the bill may go over until Thursday.

Mr. TYDINGS. Mr. President, I have no desire to take advantage of the situation by asking that the bill be disposed of this evening, if Senators would like to have time to consider its provisions. However, I should like to get it before the Senate, and have it understood that the committee amendments may be acted on first, and then, if it pleases the majority and minority leaders, if they desire to have some other business taken up, and the appropriation bill may be the unfinished business when the Senate next meets, I have no disposition to insist upon the consideration of the bill at the present time.

Mr. BARKLEY. Mr. President, I think the arrangement suggested will be entirely agreeable.

Mr. TYDINGS. With that understanding, I ask that my motion be put.

Mr. McNARY. I understand, then, that if the bill shall be made the unfinished business, it will go over until the meeting of the Senate on Thursday.

Mr. BARKLEY. That is correct.

Mr. McNARY. I have no objection.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Maryland.

The motion was agreed to; and the Senate proceeded to consider the bill (H. R. 1648), making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1944, and for other purposes, which had been reported from the Committee on Appropriations with amendments.

Mr. TYDINGS. I ask unanimous consent that the formal reading of the bill be dispensed with, that it be read for amendment, and that committee amendments be first considered, including two amendments which the chairman is authorized to offer on the floor of the Senate on behalf of the committee before other amendments are considered.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

PROFIT FROM CONSTRUCTION AND OPERATION OF SHIPS—REAR ADMIRAL LAND

Mr. BAILEY. Mr. President, with respect to the discussion had in the Senate several days ago on the subject of the Maritime Commission, and somewhat relative to the subject of the confirmation of the reappointment of Real

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DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued March 25, 1943, for actions of Wednesday, March 24, 1943)

(For staff of the Department only)

Contents

Alaska.....	13	Food lockers.....	1	Meat.....	1,15
Appropriations.....	6	Food production.....	3,12	Naval appropriations.....	6
Butter.....	14	Food waste.....	4,13	Parity formula.....	1,11
Canned goods.....	15	Inflation.....	11	Petroleum.....	15,23,26,31
Civil service.....	9	Inspection fees.....	15	Price control.....	1,22,30
Cotton.....	18	Labor, farm.....	11,12	Priorities.....	25,32
Dairy industry.....	3,14	Labor standards.....	24	Quinine.....	27
Debt limit.....	2	Land acquisition.....	7	Rationing.....	15,23,31
Export control.....	20,28	Latin America.....	8	Subsidy.....	1
Fertilizer.....	12	Loans, farm.....	10	Taxation.....	5,17,19
Food distribution.....	21,29	Machinery, farm.....	3,12		

HOUSE

1. Price control; parity formula. Passed S. 660, to prohibit consideration of subsidy, parity, conservation, incentive, or other payments in determining parity for purposes of price ceilings on any agricultural commodity, with an amendment substituting the language of H. R. 1698 (pp. 2453-78). The House version is drafted in the form of an amendment to the Economic Stabilization Act (Public Law 729, 77th Cong.) and makes the bill apply to any agricultural commodity and any commodity processed or manufactured in whole or in substantial part from an agricultural commodity.

Reps. Sabath, Ill., and Kean, N. J., expressed fear that this bill will contribute to inflation (pp. 2453-55, 2468-69). Reps. Hope, Kans., (p. 2456), Halleck, Ind. (pp. 2457-58), Steegall, Ala. (pp. 2459-62), Wolcott, Mich. (pp. 2463-64), Gifford, Mass. (pp. 2464-65), Gilchrist, Iowa (p. 2469), Smith, Ohio (pp. 2469-70), Murray, Wis. (p. 2470), Brown, Ga. (pp. 2471-72), Pace, Ga. (pp. 2472-73), Hull, Wis. (p. 2473), and Bell, Mo. (pp. 2475-76) spoke in favor of the bill and criticized the President's order requiring inclusion of such payments in determining price ceilings.

Rep. Celler, N. Y., stated that the President had authority to consider these payments in establishing price ceilings and inserted a letter from Assistant Secretary Hill to the Chicago Board of Trade (pp. 2465-68). Rep. Kefauver, Tenn., spoke in support of the President's order (pp. 2473-74). Rep. Dirksen, Ill. (p. 2471) said Congress is partly to blame and that its action was not clear (p. 2471). Rep. Wigglesworth, Mass., stated that too much meat

is stores (p. 2470). Reps. Knutson, Minn., and Hill, Colo., criticized Government regulation of individual food lockers (pp. 2475, 2476). Before passing S. 660, the House passed H. R. 1698 by a 194-40 vote and then laid the House bill on the table (pp. 2477-78).

2. Debt limit. House conferees were appointed on H. R. 1780, to increase the U. S. debt limit to \$210,000,000,000 and to nullify the President's \$25,000 salary limitation order (pp. 2450, 2463). The conference report was submitted to the House and agreed to (p. 2479-80).
3. Farm machinery. Rep. Clevenger, Ohio, criticized the farm machinery situation, stating that "practically no steel has been allotted for production machinery and a statement by Secretary Wickard "relative to the increased production of poultry and various products" (p. 2450).
4. Food waste. Rep. Gross, Pa., urged the country to cooperate "by" eliminating waste, saving food" and by putting into effect his program of "lick your platter clean" (p. 2451).
5. Taxation. Rep. Gearhart, Calif., spoke opposing the Ruml plan (pp. 2450-51). Rep. Carlson, Kans., urged legislation for current-payment of taxes (p. 2451). Rep. Crawford, Mich., criticized the Morris Plan Bank statement relative to amounts borrowed by individuals to pay income taxes (p. 2452).
6. Naval appropriations. Agreed to the conference report on H. R. 2068, supplemental naval appropriation bill, which permits Navy and War Department appropriations to be used for purchasing by other Government agencies through allotments without transfers of funds on Treasury books (pp. 2481-82).
7. Land acquisition. Received from the Justice Department a proposed bill to expedite the payment for land acquired during the war period by eliminating the use of commissioners, appraisers, and assessors in Federal condemnation proceedings. To Judiciary Committee. (p. 2486.)
8. Latin America. Foreign Affairs Committee reported without amendment H. J. Res. 1 authorizing appropriations to pay the proportionate share of the U. S. in the annual expenses of the Inter-American Financial and Economic Advisory Committee (H. Rept. 298) (p. 2486).

SENATE

Not in session. Next meeting Thurs., March 25.

BILLS INTRODUCED

9. Civil service. By Rep. Barry, N. Y., H. R. 2291, to amend further the Civil Service Retirement Act of 1930. To Civil Service Committee. (p. 2486.)
10. Farm loans. By Rep. Gathings, H. Res. 184, providing for an investigation of U. S. loaning agencies under the jurisdiction of this Department. To Rules Committee. (p. 2486.)



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PROCEEDINGS AND DEBATES OF THE 78th CONGRESS, FIRST SESSION

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WASHINGTON, WEDNESDAY, MARCH, 24, 1943

No. 52

Senate

The Senate was not in session today. Its next meeting will be held on Thursday, March 25, 1943, at 12 o'clock meridian.

House of Representatives

WEDNESDAY, MARCH 24, 1943

The House was called to order by the Speaker pro tempore, Mr. McCORMACK, at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

O Thou who art all in all, the fountain of infinite love, we approach Thy footstool in gratitude and prayer. We come to Thee not in fear nor distress, for Thy goodness is ever with us and Thy mercy endureth forever. Thou art the everlasting Son of the Father and nothing can ever equal or surpass the holy Exemplar of men. Sadly, dear Lord, some choose self-preservation, others preferment or riches; But when Thou tookest upon Thee to deliver man, Thou didst humble Thyself to be born of the Holy Virgin and didst glorify the cross with Thine own sacrifice.

Almighty God, we pray that men and nations may cease pounding themselves to pieces in the storm of savage hate. The world waits anxiously and reverently bows at the altar of Thy will until the old things are passed away and all things become new. Everywhere let personal aggrandizement be crucified, all anger calmed, and prejudice give way to Christian unity. Prepare us by gain and loss, by joy and sorrow, to rise above all things false, giving contented and liberated minds, and do Thou hush all selfish spirits. We pray that the United Nations, with no acclaim of infinite power but with hands clasped and with one voice, may lead the chorus of a redeemed world until the allies of freedom shall become the legions of peace. Through Jesus Christ, our Lord. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed without amendment a joint resolution of the House of the following title:

H. J. Res. 100. Joint resolution extending the time within which certain acts under the Internal Revenue Code are required to be performed.

The message also announced that the Senate had passed, with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 1780. An act to increase the debt limit of the United States, and for other purposes.

The message also announced that the Senate insists upon its amendment to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. GEORGE, Mr. WALSH, Mr. BARKLEY, Mr. LA FOLLETTE, and Mr. VANDENBERG to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the amendments of the House to a bill of the Senate of the following title:

S. 17. An act to provide for a temporary adjustment of salaries of the Metropolitan Police, the United States Park Police, the White House Police, and the members of the Fire Department of the District of Columbia.

The message also announced that the Acting President pro tempore had appointed Mr. BARKLEY and Mr. BREWSTER members of the Joint Select Committee on the part of the Senate, as provided for in the act of August 5, 1939, entitled "An act to provide for the disposition of certain records of the United States Government," for the disposition of execu-

tive papers in the following department and agencies:

1. Department of the Navy.
2. Federal Trade Commission.
3. Interstate Commerce Commission.
4. Tennessee Valley Authority.
5. United States Tariff Commission.

LEAVE TO ADDRESS THE HOUSE

Mr. MAHON. Mr. Speaker, I ask unanimous consent that after the disposition of business on the Speaker's table today, and other special orders, the gentleman from Pennsylvania [Mr. SNYDER] may be permitted to address the House for 10 minutes.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. WOODRUFF of Michigan. Mr. Speaker, I ask unanimous consent that after the disposition of business today and other special orders, I be permitted to address the House for 10 minutes.

The SPEAKER pro tempore. Is there objection?

There was no objection.

CONSTRUCTION OF CERTAIN PUBLIC WORKS

Mr. VINSON of Georgia. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 1692) to authorize the Secretary of the Navy to proceed with the construction of certain public works, and for other purposes, with a Senate amendment thereto, and concur in the Senate amendment.

The SPEAKER pro tempore. The Clerk will report the Senate amendment.

The Clerk read as follows:

Page 2, line 8, strike out "defenses" and insert "defense."

The SPEAKER pro tempore. Is there objection?

Mr. MARTIN of Massachusetts. Mr. Speaker, I reserve the right to object. This seems to be merely a clerical correction.

Mr. VINSON of Georgia. When the bill was before the House it read "defense" and when engrossed, it read "defenses." This is an amendment to correct that clerical error.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The SPEAKER pro tempore. The question is on agreeing to the Senate amendment.

The Senate amendment was agreed to. A motion to reconsider laid on the table.

DEBT LIMIT OF UNITED STATES

Mr. DISNEY. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 1780) to increase the debt limit of the United States and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference asked by the Senate.

The SPEAKER pro tempore. The Clerk will report the title of the bill.

The Clerk reported the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

The SPEAKER pro tempore. Without objection the Chair appoints the following conferees: Mr. DOUGHTON, Mr. COOPER, Mr. DISNEY, Mr. KNUTSON, Mr. REED of New York.

EXTENSION OF REMARKS

Mr. DONDERO. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record and include a short excerpt from an address delivered to the graduating class of the University of Pennsylvania.

The SPEAKER pro tempore. Is there objection?

There was no objection.

[The matter referred to appears in the Appendix.]

THE GINSBURG CASE

Mr. FLANNAGAN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER pro tempore. Is there objection?

There was no objection.

[Mr. FLANNAGAN addressed the House. His remarks appear in the Appendix of today's Record.]

(By unanimous consent, Mr. FLANNAGAN was granted leave to extend his remarks and include certain excerpts taken from the record of the Costello committee and certain letters dealing with Mr. Ginsburg's attempt to be deferred from Army service.)

EXTENSION OF REMARKS

Mr. HEIDINGER. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record and include a resolution passed by the House of Represent-

atives of the General Assembly of the State of Illinois.

The SPEAKER pro tempore. Is there objection?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record and include a joint memorial passed by the Twenty-eighth Legislative Assembly of the State of Montana.

The SPEAKER pro tempore. Is there objection?

There was no objection.

[The matter referred to appears in the Appendix.]

EFFECT OF WITHHOLDING TAX ON CERTAIN RAILROAD EMPLOYEES

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and revise and extend my remarks.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. O'CONNOR. Mr. Speaker, I received a very interesting letter from one of my constituents living in Livingston, Mont., my home town, with reference to the proposed tax measure coming before the House withholding 20 percent of the monthly wage. The letter is in respect to the average paid railroad worker drawing \$200 a month and what he has left for living expenses after necessary deductions. A break-down shows he has but \$23.25 to live on. Can he do it?

The letter follows:

Foodstuffs in the chain stores here in Livingston have increased over 33½ percent over a year ago.

Take the average top-paid railroad worker here in Livingston who is drawing \$200 a month if he works a full week of 7 days, 8 hours a day, or 56 hours.

Here is how it would work out:

Monthly salary-----	\$200.00
20 percent withholding tax for 1943-15 percent we are saving each month to apply on 1942 taxes-----	40.00
10 percent bond deduction-----	30.00
3¼ percent deduction for Railroad Pension Act-----	20.00
Group insurance-----	6.50
N. P. B. A. insurance-----	7.50
Accident and health insurance-----	1.75
Life insurance-----	5.00
Rent-----	10.00
Light-----	35.00
Heat (10 inches snow on ground, 20° above now)-----	3.00
Telephone-----	16.00
	2.00
	176.75

This leaves a balance of \$23.25 for two people to live on for 30 days. Is there a Congressman in Washington who can go back on the farm and live on less than \$12 a month?

FARM MACHINERY

Mr. CLEVINGER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. CLEVINGER. Mr. Speaker, the members of the Committee on Agriculture, which has been dealing for many weeks with this serious problem of manpower and machinery on the farm, are absolutely alarmed by the knowledge that practically no steel has been allotted for production machinery. Possibly some may be available by harvest time. The country is rather lulled into a mistaken sense of well-being by a statement of the Secretary of Agriculture relative to the increased production of poultry and various products. We find there will be no additional machinery for the production of those poultry items.

Now we have just gone through a great scrap drive. Millions of pounds of scrap have been contributed by the farmers of this Nation. A second scrap drive is about to proceed. Could we blame the farmer if, when this drive takes place, he demands the equivalent of a plow for a plow, or a drag for a drag?

The SPEAKER pro tempore. The time of the gentleman from Ohio has expired.

EXTENSION OF REMARKS

Mr. LANE. Mr. Speaker, I ask unanimous consent to extend my remarks and include therein a speech made by me before the Committee on the Merchant Marine and Fisheries on March 18.

The SPEAKER pro tempore. Is there objection?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. SPRINGER. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record and include therein an article by Mr. Horace C. Carlyle, of Washington, on the Capitol pages.

The SPEAKER pro tempore. Is there objection?

There was no objection.

[The matter referred to appears in the Appendix.]

THE RUMML PLAN

Mr. GEARHART. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. GEARHART. Mr. Speaker, what has become of the Ruml gift plan?

Though we will commence the consideration of various tax plans tomorrow, to date not one of our 435 Representatives has consented to father this Wall Street boondoggling proposal.

The gentleman from Kansas [Mr. CARLSON] came a little closer to it than any other.

He got close enough to get a whiff of its bad smell—dropped a bill and ran back a mile, stopped, got another whiff, dropped another bill, resumed his flight.

When still a mile farther away, a third whiff resulted in the dropping of another bill and another hasty get-away.

When last heard from he was still running away from the Ruml plan—right into the arms of the committee bill, we hope, we hope.

reported that that Committee, having had had under consideration the bill (H. R. 1698) to enact the act entitled "An act to aid in stabilizing the cost of living" (Public Law No. 729, 77th Cong.), had come to no resolution thereon.

INCREASING THE DEBT LIMIT OF THE UNITED STATES

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that the Speaker be authorized to appoint two additional conferees on the bill (H. R. 1780) to increase the debt limit of the United States, and for other purposes.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from North Carolina? [After a pause.] The Chair hears none, and appoints as additional conferees the gentleman from Virginia [Mr. ROBERTSON] and the gentleman from Massachusetts [Mr. TREADWAY].

AMENDMENT TO ACT TO AID IN STABILIZING THE COST OF LIVING

Mr. STEAGALL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 1698.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 1698, with Mr. GORE in the chair.

The Clerk read the title of the bill.

Mr. WOLCOTT. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, I do not predicate my approval of this bill solely upon the premise that the farmer is going to be benefited any more by the passage of this bill than he is under existing law, if the administrative branch of this Government interpreted existing law in keeping with the clear intent of Congress, so the issue might be clarified by saying that all we are doing in this bill is to maintain in status quo assurances which we gave to the farmer last year, and in particular in the act of October 2, 1942, that he was going to get his fair share of national income.

You will recall that we adjusted the formulas, the standards in that act, by providing that no maximum price should be put on a farm commodity below the parity price or the highest price received by the farmers, whom we call in the act the producers, between January 1 and September 15, 1942. Parity is tied to the cost of nonagricultural products. It always follows the cost of nonagricultural products. It can never get out in front. It is tied, the formula itself, and always has been, to the cost of nonagricultural products. We are not raising any farm commodity prices in this bill. We are preventing the administrative branch of the Government from writing an entirely new parity formula, different than the Congress has set up, and so this question, again I say, resolves itself into whether the legislative branch of this Government shall write these laws or whether the executive branch of the Government shall write these laws. And, regardless of whether you are in favor of stabilizing farm costs or farm income,

I hope there is no one in this House who does not consider this bill in the light of the fundamental issue as to whether we are today, as we have in the past, going to insist on the preservation of the American form of government.

Let us turn for a moment to the effects of the Executive order which was issued on October 3, Executive Order No. 9250. Title IV of the Executive order provides, first, that the prices of agricultural commodities, and of commodities manufactured or processed in whole or in substantial part from any agricultural commodity, shall be stabilized as far as practical on the basis of levels which existed on September 15, 1942, and in compliance with the act of October 2, 1942.

The act of October 2, 1942, was very, very clear. Section 3 provides—

That no maximum price shall be established or maintained for any agricultural commodity under authority of this act or otherwise below a price which will reflect to producers of agricultural commodities the higher of the following prices, as determined and published by the Secretary of Agriculture:

(1) The parity price for such commodity, adjusted by the Secretary of Agriculture for grade, location, and seasonal differentials—

We do not say in that act that he would adjust them after subsidy payments or incentive or other benefit payments were deducted. We set up a standard which the President saw fit to deviate from after the clear intent had been not only established in the debates and committee reports, but on the floor of both House and Senate—

or, in case a comparable price has been determined for such commodity under and in accordance with the provisions of section 3 (b) of the Emergency Price Control Act of 1942, such comparable price (adjusted in the same manner), or (2) the highest price received by such producers for such commodity between January 1 and September 15, 1942 (adjusted by the Secretary of Agriculture for grade, location, and seasonal differentials), or, if the market for such commodity was inactive during the latter half of such period, a price for the commodity determined by the Secretary of Agriculture to be in line with the prices, during such period, of other agricultural commodities produced for the same general use.

In section 2 of the Executive order the President mentions governmental substitutes. He says:

2. In establishing, maintaining, or adjusting maximum prices for agricultural commodities or for commodities processed or manufactured in whole or substantial part from any agricultural commodity, appropriate deductions shall be made from parity prices or comparable prices for payments made under the Soil Conservation and Domestic Allotment Act, as amended, parity payments made under the Agricultural Adjustment Act of 1938, as amended, and Government subsidies.

We do not pay subsidies, that is, we do not authorize them by act of Congress, but the Commodity Credit Corporation presumes to have authority under some act of Congress which no Member of Congress knows anything about to pay subsidies, but if subsidy payments are made, then they are made as an incentive to increase production. Now, we will assume that an incentive payment is deducted in the establishment of the parity

price. The result is that there is no incentive to the farmer at all, and he is merely kidded into the belief that he is getting a few cents more per pound or per bushel for his product than he would otherwise, because the parity price is reduced by the same amount. It is time we stopped kidding the American people. It is time that we stopped kidding ourselves in respect to this legislation. It is time for the American Congress to say definitely, and perhaps in words of one or two syllables, to bureaucrats and those who would usurp congressional functions and arrogate to themselves powers which were not given or never intended to be given to them by Congress—it is time for us to say to them that from now on we are going to make the language of the laws that we enact so simple that even "you can understand the intent of Congress," and make it impossible for them to flex the language of the statutes, even the Constitution itself, to put into effect some pink policy which somebody who is not as secure in his Americanism as I believe every Member of Congress is, wants to write into existing law. So, the question here is not whether the farmers shall get a higher or a lower price. That question has already been determined by Congress under the October 2 act. The only question before the Congress today is whether the American form of government shall be preserved now, and that is why I am supporting this bill.

Mrs. ROGERS of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. Yes.

Mrs. ROGERS of Massachusetts. I think the gentleman knows that we have suffered in New England from lack of oil and kerosene as well as shortage of gasoline.

We are tremendous users of kerosene. I have found in going over the possibilities for bringing kerosene into New England that in a great many areas where there is plenty of gasoline, the farmers, because of the price, are using kerosene and oil in their tractors. I understand that kerosene is not good for the tractors. If it were not for the tax on gasoline they would be using gasoline. I wonder if the gentleman had considered some sort of help in reduction of State taxes for gasoline, so that they could use gasoline in the tractors, which would, of course, alleviate some of our suffering from shortage of kerosene.

Miss SUMNER of Illinois. If the gentleman will permit me—

Mr. WOLCOTT. I yield to the gentleman from Illinois.

Miss SUMNER of Illinois. In our State these very corn ceilings that this bill will raise are keeping our corn from going to the consumers of gasoline, so that this ceiling that the Administration has put on is keeping gasoline off the market and your people are suffering from it.

Mrs. ROGERS of Massachusetts. And kerosene is bad for the tractors. So it would help in both directions.

Mr. WOLCOTT. I am not a mechanic. I did learn the machinist's trade at one time but did not have much to do with internal-combustion engines, but I do

know that the farmers in my locality have been using kerosene for a great many years and have told me that because the farm income was so low they could not afford to use anything else.

Mrs. ROGERS of Massachusetts. So it would help a great deal if they could use gasoline.

Mr. WOLCOTT. Undoubtedly.

The CHAIRMAN. The time of the gentleman from Michigan has again expired.

Mr. GIFFORD. Mr. Chairman, I yield myself 10 minutes.

Where are our President's defenders? Must we day after day listen to condemnation of the administration by its own party members? Certainly lately there seems to have been nothing but just that. I wish I could find it in my heart to defend him today. Is he not sincere in his desire to keep down the high cost of living?

Mr. McMURRAY. Will the gentleman yield?

Mr. GIFFORD. I do not imagine the gentleman will feel comfortable until I do. I do hope he has something to offer.

Mr. McMURRAY. Does the gentleman think that the administration or any sincere friend of the administration ought to waste its time or our time talking back in answer to a great deal of the worthless chatter that goes on on the floor of this House?

Mr. GIFFORD. I do not recognize the importance of that kind of a question and I will not bother to answer it. The gentleman seems to always be worried lest he does not get a chance to say something. Sometimes it may be well to keep silent and people will think you are wise. Often when we try to say something, we prove we are not. I try to follow that advice and suggest that the gentleman also follow it.

I hope and think the President in sincere in this matter of his construction of the laws we have passed. But we have a Congress not supporting him on several measures lately. He evidently has greatly overreached his authority. Has he alienated the affections of the people? As you not afraid that the people are becoming doubtful of him? Evidently, the Congress has heard from the people. I can defend the President by saying that some of us declared that we knew he would count these incentive and subsidy payments, when he proclaimed parity prices. I so declared on the floor of the House when the latest price-control law was passed. There was some reason for thinking so. I will now yield to the distinguished gentleman from Illinois [Mr. DIRKSEN]. There was some justification, was there not?

Mr. DIRKSEN. Exactly. If the gentleman will yield to me for about a minute.

Mr. GIFFORD. Yes, certainly.

Mr. DIRKSEN. When the 1942 appropriation bill was under consideration in conference between the House and Senate there was a great controversy developed relative to parity payments, and the gentleman from Missouri [Mr. CANNON] and Senator BANKHEAD and others went to the White House. They came back and they could not determine even

then what the President had in mind, except that he said:

If you are going to calculate parity payments, you must include benefit payments. You take the market price and add the benefit payments. Then, if you add the parity payments and it goes above parity, you must adjust your parity payment.

I remember the controversy we had in the conference on the matter, and finally we accepted it, and it is written here in the law which was approved on the 1st of July 1941.

Out of that I draw this conclusion: First, that the House was remiss in connection with the amendments to the Price-Control Act in 1942 in not specifically, according to the gentleman from Massachusetts, writing that language into the bill; and, secondly, and I say this in all kindness, I think the Committee on Banking and Currency was partly at fault in not taking advantage of their opportunity to particularize in the bill that it should not be included, because the President had insisted on its inclusion once before.

Miss SUMNER of Illinois. Will the gentleman yield?

Mr. GIFFORD. I yield.

Miss SUMNER of Illinois. The Banking and Currency Committee as a whole did not have any opportunity. The administration had a meeting of a majority of the committee, and the bill was brought into the committee and there was no opportunity for debate. It was pushed through that committee and it was practically pushed through the House under a time limit from the White House. That may be a republican form of government, but it is not the way it used to be.

Mr. DIRKSEN. Certainly it had to come to the House by a majority vote of the committee and somebody was at fault.

Miss SUMNER of Illinois. I told the gentleman that the administration got their members bulked up with some refugee Republicans.

Mr. GIFFORD. Perhaps, like ladies usually are, she thinks so because she thinks so.

Now, you will possibly identify me, will you not, as somewhat of a defender of the President? But of course I rather think he fully understood the intent of Congress. He now has as his chief advisers Jimmy Byrnes and Marvin Jones, great favorites with us, as buffers, and he may have felt that they could overcome any possible criticism of the legislative body. Is there no one today to really defend the President? This attitude seems gathering momentum every day. Dairy farmers are severe in their criticism of the administration. Farmers generally are loud in their condemnations of the administration; certainly the honeymoon seems to be over.

Mr. McMURRAY. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. No; not again. The gentleman cannot seem to contribute anything that we can understand as relevant.

Mr. McMURRAY. I think the gentleman will understand this.

Mr. GIFFORD. I could not possibly understand.

Mr. McMURRAY. I think the gentleman could.

Mr. GIFFORD. No; the gentleman's contributions are beyond me in any semblance of relevancy to the topic under discussion.

I, of course, am voting for this bill; I know what the intent of it was at the time. I think the President certainly knew what the intent of Congress was, but he evidently hoped to evade it. He saw to it that the benefit payments were added to determine parity prices, apparently expecting the usual subservient Congress. What have soil-conservation checks, granted for land held out of use, got to do with prices? That is a little beyond me. Therefore, I am willing to support the bill. I am quite willing to do so.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. I yield.

Mr. CRAWFORD. I should like to have the gentleman's opinion on this new formula which has been proposed by Mr. Fulton Lewis, Jr., to the effect that all of these problems could be solved pretty well if, given our total production of a commodity, we set a ration amount below that production, thus creating a surplus, then removing all controls with reference to prices and letting the so-called law of supply and demand operate freely? From Mr. Fulton Lewis' statement over the radio it seems that he has converted Mr. Prentiss Brown, Mr. Baruch, and Mr. Hoover, the distinguished gentleman from Tennessee who now occupies the chair, and many others to that philosophy, and I have been anxious to learn what the gentleman from Massachusetts who is now addressing the House has to say on the subject.

Mr. GIFFORD. My opinion would probably be a favorable one. The whole rationing business seems entirely out of hand and badly bungled. The public at large are becoming very angry at the constant harassments caused by maladministration.

I read that the cattlemen came out with a smile on their faces yesterday after their interview with O. P. A. about placing a ceiling on live cattle. I imagine the O. P. A. have learned that some cattle are fat and some are lean; that some are old and some are young; and that they find some difficulty in putting a proper ceiling price on meats. But the O. P. A. must wiggle out of this miserable meat situation some way. Our offices are very busy helping our constituents to wiggle out of many foolish regulations. I do not wonder that you Democrats are beginning to feel the sting of this bungling and awful inefficiency. I sympathize with you deeply. I do not know what to advise you. I can only wonder how you will be able to extricate yourselves. Not to be able to support your own administration is rather dreadful in times like these. Your President needs defenders. Honestly, I think he is quite sincere in wanting to keep down the cost of living, but I also think he is very sincere in his fear of what organized labor

"the Administrator and the owner may find."

Page 2, line 10, strike out the words "fishing or related industries" and insert in lieu thereof the words "fisheries or industries related thereto."

Page 2, line 15, after the word "final" and before the period, insert the words "notwithstanding any other provision of law."

Page 2, line 17, after the word "notice" and before the comma, insert in parentheses the following: "which time shall be specified in the notice, but may be extended by the Administrator."

Page 2, line 24, strike out the words "fishing or related industries" and insert in lieu thereof the following: "fisheries or industries related thereto."

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

The title was amended so as to read: "A bill to authorize the return to private ownership of certain vessels formerly used or suitable for use in the fisheries or industries related thereto."

TO INCREASE THE DEBT LIMIT OF THE UNITED STATES

Mr. DISNEY, from the Committee on Ways and Means, presented the following conference report and statement on the bill (H. R. 1780) to increase the debt limit of the United States and for other purposes, which was referred to the House Calendar and ordered printed:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 1780) to increase the debt limit of the United States, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows: That the House recede from its disagreement to the amendment of the Senate and agree to the same.

R. L. DOUGHTON,
JERE COOPER,
WESLEY E. DISNEY,
A. WILLIS ROBERTSON,
ALLEN T. TREADWAY,
HAROLD KUNTSON,
DANIEL A. REED,

Managers on the part of the House.

WALTER F. GEORGE,
DAVID I. WALSH,
ALBEN W. BARKLEY,
ROBERT M. LA FOLLETTE, Jr.,
A. H. VANDENBERG,

Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 1780) to increase the debt limit of the United States, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The House bill provided for increasing the limitation of the public debt from \$125,000,000 to \$210,000,000 and also authorized the Secretary of the Treasury to utilize incorporated banks and trust companies in connection with the redemption of United States Savings bonds. No changes were made by the Senate in these provisions.

Section 4 of the House bill contained a provision which would have the effect of prohibiting any action under the Stabilization

Act of October 2, 1942, or otherwise, limiting the payment of annual salaries to a maximum amount less than the greater of the following:

"(1) The annual rate of salary paid to such employee on December 7, 1941; or

"(2) An amount which after reduction by the Federal income taxes thereon would equal \$25,000."

In lieu of this provision, the Senate amendment amended section 4 of the Stabilization Act of October 2, 1942, so as to repeal the provision which served as the basis for the action taken by the President and the Economic Stabilization Director in reducing salaries to approximately \$25,000 net after payment of taxes. It was also provided that this change should be effective as of October 2, 1942. The Senate amendment also provided for rescinding all provisions of Executive Order No. 9250 issued by the President on October 3, 1942, regulation No. 4001.9 issued by the Economic Stabilization Director on October 27, 1942, and all orders, regulations, and other directives, and all decisions promulgated or made by virtue of such Executive order or regulation, which are in conflict with section 4 of the Stabilization Act of October 2, 1942, as amended.

The conference agreement retains the provisions of the Senate amendment.

R. L. DOUGHTON,
JERE COOPER,
WESLEY E. DISNEY,
A. WILLIS ROBERTSON,
ALLEN T. TREADWAY,
HAROLD KUNTSON,
DANIEL A. REED,

Managers on the part of the House.

Mr. DISNEY. Mr. Speaker, I ask unanimous consent for the immediate consideration of the conference report on the bill (H. R. 1780) to increase the debt limit of the United States and for other purposes.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. DISNEY. Mr. Speaker, I ask unanimous consent that the statement of the managers be read in lieu of the report.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

(The Clerk read the statement of the managers on the part of the House.)

The SPEAKER pro tempore. The gentleman from Oklahoma is recognized for 1 hour.

Mr. DISNEY. Mr. Speaker, I shall not take the hour. I have had no requests for time.

Briefly stated, what the Senate amendment does is to repeal the proviso section 4 and only the orders issued under the proviso of section 4. It is substantially the Wolcott amendment as offered here on the floor of the House which freezes salaries at their highest rate from January 1 to September 15, 1942. In substance, that is what the Senate amendment does. It was agreed to by unanimous vote of the conferees. Personally, I believe that fairness and candor compel me to state that the Wolcott amendment is preferable to the paragraph in the bill as originally drawn by myself.

Mr. GORE. Mr. Speaker, will the gentleman yield?

Mr. DISNEY. I yield.

Mr. GORE. Under the terms of the conference report there is eliminated

from the bill the language which the House passed which would have forbidden the President, or any agency, to exercise control of increases until salaries reached the approximate level of \$67,200.

Mr. DISNEY. That is correct.

Mr. GORE. As I understand the conference report, it merely repeals that part of the law under which the President acted to reduce salaries.

Mr. DISNEY. Yes; that is correct. The great bone of contention here on the floor of the House is taken care of by the Senate amendment.

Mr. GORE. And may I say to the gentleman that that was the particular thing that caused so many of us to express our opposition so vehemently. If that had not been brought before the House there would not have been such strong opposition to his proposal.

Mr. DISNEY. So I learned last week.

Mr. WOODRUFF of Michigan. Mr. Speaker, will the gentleman yield?

Mr. DISNEY. I yield.

Mr. WOODRUFF of Michigan. Mr. Speaker, I was not one of the conferees on this bill but I do know from the two who were representing the minority of the House that they are in entire agreement on this conference report. Inasmuch as no member of the committee on this side appears to want any time, I have no objection to the motion of the gentleman from Oklahoma.

Mr. CASE. Mr. Speaker, will the gentleman yield?

Mr. DISNEY. I yield.

Mr. CASE. In addition to the points which the gentleman has mentioned, as I understand it the language of the Senate amendment which is substantially that of the Wolcott amendment as offered in the House, does not employ the words "or otherwise" that were in the House bill. Consequently, by the adoption of the language of the Senate amendment the legislation now will not interfere with the operation of the renegotiation statute or the provision in the tax laws for the control of excessive wartime salaries.

Mr. DISNEY. The gentleman is correct about that.

Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the conference report.

Mr. GORE. Mr. Speaker, I ask for the yeas and nays.

Mr. DISNEY. Yes; Mr. Speaker, I think in common fairness we should have the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 297, nays 46, not voting 91, as follows:

[Roll No. 30]

YEAS—297

Abernethy	Barden	Bloom
Anderson,	Barry	Bolton
N. Mex.	Bates, Ky.	Bonner
Andresen,	Beall	Boykin
August H.	Bell	Bradley, Mich.
Andrews	Bender	Brehm
Angell	Bennett, Mich.	Brown, Ga.
Arends	Bennett, Mo.	Bryson
Arnold	Bishop	Buffett
Auchincloss	Blackney	Bulwinkle
Baldwin, N. Y.	Bland	Burch, Va.

Busbey	Hébert	Phillips
Butler	Heidinger	Poage
Camp	Hendricks	Poulson
Canfield	Herter	Powers
Cannon, Mo.	Hill	Pracht
Carlson, Kans.	Hinshaw	Price
Carson, Ohio	Hobbs	Priest
Carter	Hoeven	Rabaut
Case	Hoffman	Ramey
Chapman	Holmes, Mass.	Ramspeck
Chipherfield	Holmes, Wash.	Randolph
Church	Hope	Reed, Ill.
Clark	Jeffrey	Reed, N. Y.
Clason	Jenkins	Rees, Kans.
Clevenger	Jennings	Richards
Cole, Mo.	Jensen	Rivers
Cole, N. Y.	Johnson	Rizley
Colmer	Anton J.	Robertson
Compton	Johnson, Ind.	Robinson, Utah
Cooley	Johnson	Robison, Ky.
Cooper	J. Leroy	Rockwell
Costello	Johnson	Rodgers, Pa.
Cox	Luther A.	Rogers, Mass.
Cravens	Johnson, Ward	Rohrbrough
Crawford	Jones	Rolph
Cunningham	Jonkman	Rowan
Curley	Judd	Sabbath
Curtis	Kean	Sasser
Day	Kearney	Schiffier
Dewey	Keefe	Schuetz
Dickstein	Kefauver	Schwabe
Dies	Kennedy	Scott
Dilweg	Kerr	Shafer
Dirksen	Kilburn	Sheppard
Disney	Kilday	Sheridan
Ditter	Kinzer	Short
Dondero	Kleberg	Sikes
Doughton	Knutson	Simpson, Ill.
Douglas	Kunkel	Simpson, Pa.
Drewry	LaFollette	Smith, Ohio
Dworshak	Lambertson	Smith, Va.
Elliott	Landis	Smith, W. Va.
Ellis	Lane	Smith, Wis.
Ellison, Md.	Lanham	Snyder
Ellsworth	Larcade	Sparkman
Englebright	Lea	Spence
Fellows	LeFevre	Springer
Fenton	Lewis, Ohio	Stanley
Fernandez	Luce	Starnes, Ala.
Fish	Ludlow	Steagall
Fisher	McCord	Stearns, N. H.
Flannagan	McCormack	Stefan
Forand	McCowen	Stevenson
Fulbright	McGehee	Stockman
Fulmer	McGregor	Sullivan
Gale	McKenzie	Sumner, Ill.
Gamble	McMillan	Sumners, Tex.
Gathings	McWilliams	Sundstrom
Gavin	Maloney	Taber
Gearhart	Manasco	Talle
Gerlach	Mansfield, Tex.	Thomas, N. J.
Gifford	Martin, Iowa	Thomas, Tex.
Gilchrist	Martin, Mass.	Thomason
Gillette	Mason	Tibbott
Gillie	Morrow	Towle
Goodwin	Michener	Troutman
Gore	Miller, Conn.	Van Zandt
Gorski	Miller, Nebr.	Vinson, Ga.
Gossett	Miller, Pa.	Vorys, Ohio
Graham	Mills	Vursell
Granger	Monkiewicz	Wadsworth
Grant, Ala.	Monroney	Walter
Grant, Ind.	Morrison, La.	Ward
Gregory	Mott	Wasielowski
Griffiths	Mruk	West
Gross	Mundt	Wheat
Gwynne	Murdock	Whitten
Hagen	Murphy	Whittington
Hale	Murray, Wis.	Wickersham
Hall	Newsome	Wigglesworth
Edwin Arthur	Norman	Willey
Hall	Norrell	Wilson
Leonard W.	O'Brien, Ill.	Winstead
Halleck	O'Brien, Mich.	Wolcott
Hancock	O'Brien, N. Y.	Wolfenden, Pa.
Hare	O'Connor	Wolverton, N. J.
Harness, Ind.	O'Leary	Woodruff, Mich.
Harris, Ark.	Pace	Wright
Hart	Patton	Zimmerman
Hartley	Peterson, Fla.	
Hays	Philbin	

NAYS—46

Allen, La.	D'Alesandro	Kirwan
Boren	Fitzpatrick	Lemke
Bradley, Pa.	Folger	Lesinski
Brooks	Heffernan	Lynch
Burchill, N. Y.	Hoch	McMurray
Burdick	Hull	Madden
Capozzoli	Jackson	Magnuson
Celler	Johnson	Mahon
Coffee	Lyndon B.	Marcantonio
Courtney	Johnson, Okla.	Myers
Creal	Kelley	Norton
Crosser	King	O'Konski

Outland	Sauthoff	Vincent, Ky.
Pittenger	Scanlon	Wells
Rankin	Somers, N. Y.	Worley
Russell	Tarver	

NOT VOTING—91

Allen, Ill.	Furlong	Nichols
Andersen,	Gallagher	O'Hara
H. Carl	Gavagan	O'Neal
Anderson, Calif.	Gibson	O'Toole
Baldwin, Md.	Gordon	Patman
Barrett	Green	Peterson, Ga.
Bates, Mass.	Guyer	Pfeifer
Beckworth	Harless, Ariz.	Ploeser
Brown, Ohio	Harris, Va.	Plumley
Buckley	Hess	Reece, Tenn.
Burgin	Holifield	Rogers, Calif.
Byrne	Horan	Rowe
Cannon, Fla.	Howell	Sadowski
Chenoweth	Izac	Satterfield
Cochran	Jarman	Slaughter
Culkin	Johnson	Smith, Maine
Cullen	Calvin D.	Stewart
Davis	Kee	Talbot
Dawson	Keogh	Taylor
Delaney	Klein	Tolan
Dingell	LeCompte	Treadway
Domengeaux	Lewis, Colo.	Voorhis, Calif.
Durham	McGranery	Weaver
Eaton	McLean	Weichel, Ohio
Eberharter	Maas	Welch
Elmer	Mansfield,	Wene
Elston, Ohio	Mont.	Welchel, Ga.
Engel	May	White
Fay	Merritt	Winter
Feighan	Miller, Mo.	Woodrum, Va.
Fogarty	Morrison, N. C.	
Ford	Murray, Tenn.	

So the conference report on the bill H. R. 1780 was agreed to.

The Clerk announced the following pairs:

Mr. Miller of Missouri for, with Mr. Eberharter against.

Mr. Ploeser for, with Mr. McGranery against.

General pairs:

Mr. Woodrum of Virginia with Mr. Reece of Tennessee.

Mr. Keogh with Mr. Treadway.

Mr. Slaughter with Mr. Calvin D. Johnson.

Mr. Gavagan with Mr. Eaton.

Mr. Dingell with Mr. Plumley.

Mr. Pfeifer with Mr. Rowe.

Mr. Weaver with Mr. Guyer.

Mr. Cullen with Mr. Elston of Ohio.

Mr. Jarman with Mrs. Smith of Maine.

Mr. Merritt with Mr. Allen of Illinois.

Mr. May with Mr. Brown of Ohio.

Mr. Byrne with Mr. Chenoweth.

Mr. Cochran with Mr. Howell.

Mr. Cannon of Florida with Mr. Elmer.

Mr. O'Toole with Mr. Hess.

Mr. Patman with Mr. Taylor.

Mr. Buckley with Mr. Weichel of Ohio.

Mr. Lewis of Colorado with Mr. LeCompte.

Mr. Harris of Virginia with Mr. Culkin.

Mr. Beckworth with Mr. H. Carl Andersen.

Mr. May with Mr. O'Hara.

Mr. O'Neal with Mr. Winter.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. MYERS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an article by Ralph W. Page which appeared in the Philadelphia Evening Bulletin of Wednesday, March 17, 1943.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania [Mr. MYERS]?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. BLOOM. Mr. Speaker, I ask unanimous consent to extend my own remarks

in the RECORD and to include a statement on China made by the majority leader, Mr. JOHN W. McCORMACK.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York [Mr. BLOOM]?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. SHERIDAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a letter from Lt. Thomas B. Spencer, of the United States Army.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania [Mr. SHERIDAN]?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. BARRY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a letter to the American Jewish Congress.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York [Mr. BARRY]?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. CELLER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by insertion in the RECORD directly after my remarks this afternoon on H. R. 1698 a letter sent to Mr. O'Brien, president of the Chicago Board of Trade, by Grover B. Hill, of the Department of Agriculture.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York [Mr. CELLER]?

There was no objection.

Mr. GRANT of Alabama. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a statement by the Secretary of Agriculture.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Alabama [Mr. GRANT]?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. HOEVEN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a letter from W. H. Badeaux, secretary of the Ohio Retail Lumbermen's Association.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa [Mr. HOEVEN]?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

(Mr. CURLEY asked and was given permission to extend his own remarks in the RECORD.)

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include a newspaper article.

PUBLIC DEBT ACT OF 1943

MARCH 24, 1943.—Ordered to be printed

Mr. DISNEY, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 1780]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 1780) to increase the debt limit of the United States, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same.

R. L. DOUGHTON,
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Managers on the part of the House.

WALTER F. GEORGE,
DAVID I. WALSH,
ALBEN W. BARKLEY,
ROBERT M. LA FOLLETTE, Jr.,
A. H. VANDENBERG,

Managers on the part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 1780) to increase the debt limit of the United States, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The House bill provided for increasing the limitation of the public debt from \$125,000,000,000 to \$210,000,000,000 and also authorized the Secretary of the Treasury to utilize incorporated banks and trust companies in connection with the redemption of United States Savings bonds. No changes were made by the Senate in these provisions.

Section 4 of the House bill contained a provision which would have the effect of prohibiting any action under the Stabilization Act of October 2, 1942, or otherwise, limiting the payment of annual salaries to a maximum amount less than the greater of the following:

- (1) The annual rate of salary paid to such employee on December 7, 1941; or
- (2) An amount which after reduction by the Federal income taxes thereon would equal \$25,000.

In lieu of this provision, the Senate amendment amended section 4 of the Stabilization Act of October 2, 1942, so as to repeal the provision which served as the basis for the action taken by the President and the Economic Stabilization Director in reducing salaries to approximately \$25,000 net after payment of taxes. It was also provided that this change should be effective as of October 2, 1942. The Senate amendment also provided for rescinding all provisions of Executive Order No. 9250 issued by the President on October 3, 1942, Regulation No. 4001.9 issued by the Economic Stabilization Director on October 27, 1942, and all orders, regulations, and other directives, and all decisions, promulgated or made by virtue of such Executive Order or Regulation, which are in conflict with section 4 of the Stabilization Act of October 2, 1942, as amended.

The conference agreement retains the provisions of the Senate amendment.

R. L. DOUGHTON,
JERE COOPER,
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A. WILLIS ROBERTSON,
ALLEN T. TREADWAY,
HAROLD KNUDSON,
DANIEL A. REED,

Managers on the part of the House.





into consideration—it is not fixing the price of farm labor, it is taking the average—does the Senator think it is his duty to deny a man the cost of the things the Senator eats and the clothes he wears? Because the farmer is not organized as a political unit, does the Senator think he can be fooled, and that we should not give him that to which he is entitled?

Mr. LUCAS. I think the farmers of this country are pretty well organized, if I know anything about organization. They have about the strongest groups that come before Congress. Labor and agriculture are both strongly organized. Their leaders are constantly before us advocating their views on legislation.

At this particular time I am not talking for either one of these groups. I am trying to look at the picture from a national viewpoint. I am attempting to look at the picture from the viewpoint of the consuming public. That is the unorganized, inarticulate group, which never has any representation in the halls of Congress. There are millions and millions of those people, who are frozen to salaries, who cannot obtain any relief of any kind. Those are the individuals who are going to suffer if the Pace bill shall be enacted, because that is the start of the spiral of inflation, a dangerous leap, which, in my opinion, cannot be controlled once it is started. That is what I fear.

It is a strange thing to reflect that I, coming from the corn section of the country, and the Senator from Oregon, representing a great wheat section of the country, are the two individuals most vitally concerned in suggesting this be returned to the Senate committee, because both those basic commodities are below parity, while every other commodity that is worth while is above parity. Yet we stand here and ask, under those circumstances, that the pending bill not be considered at this particular time.

Mr. McNARY. Mr. President, will the Senator yield?

Mr. LUCAS. I yield.

Mr. McNARY. I am merely seeking information. I did not catch the last remark of the Senator, because I was discussing the bill with the junior Senator from Minnesota. What products does the Senator say are under parity?

Mr. LUCAS. Corn is practically at parity. Wheat is under parity.

Mr. McNARY. Are there any others?

Mr. LUCAS. Oats and rye.

Mr. McNARY. That is, the cereal group?

Mr. LUCAS. Yes. Practically all other commodities are above parity. They are all doing quite well, in the opinion of the Senator from Illinois.

Mr. President, I have a deep feeling about this question. I contend that if the bill is passed, and should then be passed over the veto of the President, it would be the beginning of the end on the home front. Inflation then would be here, and we could not stop it. We are having a difficult time right now dealing with inflation.

I rose primarily to furnish a little information to the Senator from Oregon, because there is not a scintilla of evidence in the record anywhere as to what this bill would do with respect to the increase in price to the consuming public. There was not a line of evidence concerning that before the House committee. I called Monday last and requested the clerk of the House committee to furnish me the report on the matter, and she advised me that the committee had taken no evidence. Like the Senator from Oregon, I was unfortunate in not being present at the meeting of the Committee on Agriculture and Forestry last Monday, and I am told that in 15 minutes time the bill was reported favorably by the committee, and here it is on the floor of the Senate.

Mr. President, millions upon millions of dollars in the future are involved in this bill. The life of the home front of America is involved in it, and if the home front goes down, watch out for the military front. As a result of a 16-percent increase to the consuming public in this instance, I can see other groups coming in to ask the same thing, to ask what they think they are entitled to receive. The result will be that we will get into the old vicious spiral of inflation, and the little 16 percent or 14 percent increase, or whatever the farmer is going to get at this particular time, which he may think will help him, will, as he will find out in due course of time, cost him six times 16 percent.

Mr. President, why is it that we could not have had the Secretary of Agriculture, who is against the bill, testify before the committee? Why is it that we could not have had O. P. A. Director, Mr. Brown, who is against the bill, testify before the committee? Mr. Brown wrote a letter to me this morning, in which he said, among other things:

The Pace bill would raise parity prices of farm products by 14 percent. This, in the course of time, would drive up the retail prices of food 10½ percent, and add two and one-third billion dollars to the consumers' annual food budget. It would increase the Government expenditures for food by about three-quarters of a billion dollars per annum.

That is Mr. Brown's statement. That is the kind of testimony which ought to have been before the committee in order that the committee might have interrogated and cross-examined Mr. Brown upon that point. We should have had the right to cross-examine and interrogate the Secretary of Agriculture upon this question.

Mr. President, the corn farmers of Illinois are not for this bill. Earl Smith is the vice president of the American Farm Bureau, and president of the Illinois group. That group held a meeting at Springfield recently at which 1,500 farmers were present. They unanimously endorsed a resolution condemning the Pace bill as being dangerously inflationary. I am told that the Iowa Farm Bureau group has joined with the Illinois group in this fight. Why should not these farm leaders have a chance

to testify before the Committee on Agriculture and Forestry?

Mr. President, if the bill shall be passed it will be a serious hour in the life of the Nation. There is a strange thing about this parity formula, as the able Senator from Oregon said a while ago. In all commodities above parity, of course, the cost of labor is reflected, and I undertake to say in commodities below parity the labor costs are also reflected. Why do I say that? Back in 1933, when the parity formula was given to the people by the Congress, corn, for instance, according to the base period was worth 62½ cents, as I recall. That base period was figured over 5 years from 1909 to 1914. The average price of corn for each month during that period of time was taken, the figures were added up, and the general average obtained. That is what is called the base period on corn.

What has happened to corn since that time? The parity price then was 62½ cents. Has it remained there? Not at all. Parity today on corn is 99 cents or \$1 per bushel. Parity is a relative thing. It has no fixed or definite scheme in the affairs of things. It moves up and down. So when parity on corn moves up, labor is reflected in that move, or in that price increase in corn. The price of corn may go up and it may go down, but in the beginning those who had anything to do with the parity formula left labor out of it. Why? Because then labor was cheap, and if labor had been placed in the parity formula at that moment as a factor, instead of corn being 62½ cents it probably would have been about 59 or 58 cents a bushel. So labor costs were left out. But in the last 2 years labor has spiraled to the top, and now, because wages are high on the farm, an effort is made to change the basic formula in parity in order to obtain an increase.

Mr. President, mark my words when the war is over, and the farmers who are now in the service of the country, who are in the shops, and in the industries making munitions and implements of war, flock back to the farms, labor will then become cheap, and then this parity formula will again be brought before the Congress, and we will be asked to change it in order to eliminate labor costs. That is exactly what will happen.

Mr. President, I hope that those in charge of the bill will postpone action upon it for awhile at least, or at least let it go back to the committee where some testimony can be taken upon this important matter. No testimony has been taken on it. Whatever testimony was taken on the Thomas amendment last September is not pertinent today, because of the change in conditions of the affairs of the country. I do not know where the facts were obtained which are set forth in the report on the Pace bill. Someone sent me a report on the bill which was made by the House committee. The truth of the matter is that no evidence was taken by that committee. I say with all the sincerity I possess

that this measure is too important to the Nation and to the world to be passed now without exploring each and every fact involved in its provisions, and involved in the effort, which we have constantly tried to make, to keep down inflation.

Only a few days ago, when the distinguished Senator from Georgia [Mr. GEORGE] brought in a bill dealing with the \$25,000 limitation on salaries, he explained that the Disney amendment was defeated in the Senate committee—why? Because it permitted the salary of one having \$2,000, \$5,000, or \$10,000 to be raised to a point of \$67,000, if necessary. Such a raise in salary could be made under the Disney amendment. We all agreed that that would be inflationary and should not be done. That was the primary reason why the Disney amendment was amended, and why the Senate acted as it did.

If the bill now under consideration is not inflationary, then I do not understand the meaning of inflation. No one, Mr. President, has more interest in the farmer than has the Senator from Illinois. I know what happened after the last war. I know what will happen after this war if we do not control inflation. The individual who thinks he is receiving a little benefit as the result of a 16-percent increase in wages may find himself ruined and bankrupt after the war, if inflation hits us, as I think it will if the bill is passed.

That is all I care to say at this time, Mr. President.

SUPPLEMENTAL NAVAL APPROPRIATIONS—CONFERENCE REPORT

Mr. OVERTON submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 2068) making additional appropriations for the Navy Department and the naval service for the fiscal year ending June 30, 1943, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 2.

That the House recede from its disagreement to the amendments of the Senate numbered 3 and 6; and agree to the same.

Amendment numbered 4: That the House recede from its disagreement to the amendment of the Senate numbered 4, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$750,000,000"; and the Senate agree to the same.

Amendment numbered 7: That the House recede from its disagreement to the amendment of the Senate numbered 7, and agree to the same with an amendment, as follows: In lieu of the matter inserted by said amendment, insert the following: "toward contract authorization heretofore granted, to remain available until expended, and this appropriation shall be available for expenses incurred prior to July 1, 1943, pursuant to the contract authorization contained in this Act in consequence of Public Law 1, approved February 19, 1943"; and the Senate agree to the same.

Amendment numbered 8: That the House recede from its disagreement to the amendment of the Senate numbered 8, and agree to the same with an amendment, as follows: Restore the matter stricken out by said amendment amended to read as follows:

"CONSTRUCTION OF FLOATING DRYDOCKS, NAVY

"The Secretary of the Navy is authorized to enter into contracts in the amount of not to exceed \$210,000,000 for the construction of mobile floating drydocks and collateral facilities and incidental work, and such other objects, as authorized by the Act approved February 19, 1943 (Public Law 1)."

And the Senate agree to the same.

The committee of conference report in disagreement amendments numbered 1 and 5.

CARL HAYDEN,

MILLARD E. TYDINGS,

JOHN H. OVERTON,

GERALD P. NYE,

Managers on the part of the Senate.

HARRY R. SHEPPARD,

ALBERT THOMAS,

JOHN M. COFFEE,

JAMIE L. WHITTEN,

J. W. DITTER,

CHARLES A. FLUMLEY,

NOBLE J. JOHNSON,

Managers on the part of the House.

The report was agreed to.

The PRESIDING OFFICER (Mr. MURDOCK in the chair) laid before the Senate a message from the House of Representatives announcing its action on certain amendments of the Senate to House bill 2068, which was read, as follows:

IN THE HOUSE OF REPRESENTATIVES,
March 24, 1943.

Resolved, That the House recede from its disagreement to the amendment of the Senate numbered 1 to the bill (H. R. 2068) making additional appropriations for the Navy Department and the naval service for the fiscal year ending June 30, 1943, and for other purposes, and concur therein with the following amendment:

Restore the matter stricken out by said amendment amended to read as follows: "Provided, That, except as hereinafter provided, no appropriation for the Navy Department or naval service available during the fiscal year 1943 (except funds transferred or made available to other executive agencies for use for naval purposes) shall be used after March 31, 1943, for the employment of persons for the performance of service in other than the Navy Department or elsewhere than under the Navy Department, except (1) employees who had been employed by and performing service under the Navy Department for 3 months or more immediately prior to their detail for service elsewhere, and (2) employees now or hereafter detailed and assigned pursuant to the lawful authority of the Secretary of the Navy to any committee of the Congress operating under resolution duly authorizing such assignment and the allocation for that purpose of funds now available therefor or appropriated hereunder, is hereby authorized"; and

That the House recede from its disagreement to the amendment of the Senate numbered 5 to said bill and concur therein with an amendment, as follows: In lieu of the matter inserted by said amendment insert: "Provided, That so much of the Naval Appropriation Act, 1943 (Public Law 411, 77th Cong.), under the heading 'Pay, subsistence, and transportation of naval personnel' as reads 'Provided further, That no part of this appropriation shall be available for the pay of any midshipman appointed from enlisted men of the Navy who has not served aboard a vessel of the Navy in full commission or performed equivalent service with fleet aircraft for at least 9 months prior to admission to the Naval Academy', is amended to read as follows: 'Provided, further, That during the present emergency qualified enlisted men of the Navy, Naval Reserve, and Marine Corps may be appointed to the Naval Academy after 9 months of service.'"

Mr. OVERTON. Mr. President, I move that the Senate agree to the amendments of the House to the amendments of the Senate numbered 1 and 5.

The motion was agreed to.

INCREASE IN THE PUBLIC DEBT LIMIT; LIMITATION OF SALARIES—CONFERENCE REPORT

Mr. GEORGE submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 1780) to increase the debt limit of the United States, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same.

WALTER F. GEORGE,

DAVID I. WALSH,

ALEEN W. BARKLEY,

ROBERT M. LA FOLLETTE, JR.

A. H. VANDENBERG,

Managers on the part of the Senate.

R. L. DOUGHTON,

JERE COOPER,

WESLEY E. DISNEY,

A. WILLIS ROBERTSON,

ALLEN T. TREADWAY,

HAROLD KNUTSON,

DANIEL A. REED,

Managers on the part of the House.

The report was agreed to.

INCLUSION OF COST OF LABOR IN DETERMINING PARITY PRICES

The Senate resumed the consideration of the bill (H. R. 1498) to amend section 301 (a) of the Agricultural Adjustment Act of 1938, as amended, and the first sentence of paragraph (1) of section 2 of the Agricultural Adjustment Act of 1933, as amended, and as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, approved June 3, 1937, as amended, so as to include the cost of all farm labor in determining the parity price of agricultural commodities.

Mr. TAFT. Mr. President, I wish to oppose the bill. I do it with regret, knowing the care which has been devoted to it by the members of the committee.

I do not think the question is one of parity. Parity is a very complicated question about which it is so very easy to argue that argument can be made on all sides of it.

The bill is a measure not to increase parity, but to increase farm prices, and was so described by its sponsor. The purpose is to increase prices and thus to increase production. So Congress is asked, by taking the action requested, to increase farm prices.

Mr. SMITH. Mr. President, will the Senator from Ohio yield to me so that I may ask him a question?

Mr. TAFT. I yield to the Senator from South Carolina.

Mr. SMITH. We have heard about inflation, and we hear about increasing the prices received by farmers. The only question involved in the pending bill is this: Since we have established parity, shall we allow parity to involve the farmer's costs of production—that is, his

[PUBLIC LAW 34—78TH CONGRESS]

[CHAPTER 52—1ST SESSION]

[H. R. 1780]

AN ACT

To increase the debt limit of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Public Debt Act of 1943.

SEC. 2. Section 21 of the Second Liberty Bond Act, as amended, is further amended to read as follows:

“SEC. 21. The face amount of obligations issued under the authority of this Act shall not exceed in the aggregate \$210,000,000,000 outstanding at any one time.”

SEC. 3. Section 22 of the Second Liberty Bond Act, as amended, is further amended by adding at the end thereof the following subsections:

“(h) The Secretary of the Treasury, under such regulations as he may prescribe, may authorize or permit payments in connection with the redemption of savings bonds to be made by incorporated banks and trust companies.

“(i) Any losses resulting from payments made in connection with the redemption of savings bonds shall be replaced out of the fund established by the Government Losses in Shipment Act, as amended, under such regulations as may be prescribed by the Secretary of the Treasury. The Treasurer of the United States, any Federal Reserve bank, or any incorporated bank or trust company authorized or permitted to make payments in connection with the redemption of such bonds, shall be relieved from liability to the United States for such losses, upon a determination by the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Treasurer, the Federal Reserve bank, or the incorporated bank or trust company. The Post Office Department or the Postal Service shall be relieved from such liability upon a joint determination by the Postmaster General and the Secretary of the Treasury that such losses resulted from no fault or negligence on the part of the Post Office Department or the Postal Service. The provisions of section 3 of the Government Losses in Shipment Act, as amended, with respect to the finality of decisions by the Secretary of the Treasury shall apply to the determinations made pursuant to this subsection. All recoveries and repayments on account of such losses, as to which replacement shall have been made out of the fund, shall be credited to it and shall be available for the purposes thereof. The Secretary of the Treasury shall include in his annual report to the Congress a statement of all payments made from the fund pursuant to this subsection.”

SEC. 4. (a) Section 4 of the Act approved October 2, 1942, entitled “An Act to amend the Emergency Price Control Act of 1942, to aid

in preventing inflation, and for other purposes" (Public Law 729 of the Seventy-seventh Congress), is hereby amended, effective as of October 2, 1942, to read as follows:

"SEC 4. No action shall be taken under authority of this Act with respect to wages or salaries, (1) which is inconsistent with the provisions of the Fair Labor Standards Act of 1938, as amended, or the National Labor Relations Act, or (2) for the purpose of reducing wages or salaries for any particular work below the highest wages or salaries paid therefor between January 1, 1942, and September 15, 1942."

(b) (1) Section 7 of title II, and all other provisions of Executive Order Numbered 9250, "Providing for the stabilization of the national economy" issued October 3, 1942, and all provisions of Regulation Numbered 4001.9, promulgated by the Economic Stabilization Director on October 27, 1942, which are in conflict with this section are hereby rescinded; and (2) all orders, regulations, and other directives, and all decisions, promulgated or made by virtue of the said Executive order or regulation which are in conflict with this section are hereby rescinded.

[Received by the President, Tuesday, March 30, 1943.]

[NOTE BY THE DEPARTMENT OF STATE.—The foregoing act, having been presented to the President of the United States for his approval and not having been returned by him to the House of Congress in which it originated within the time prescribed by the Constitution of the United States, has become a law without his approval.]

STATEMENT BY THE PRESIDENT

The Public Debt Act of 1943 is before me for signature. This bill increases the limitation on the face amount of obligations issued under the Second Liberty Bond Act that may be outstanding at any one time from 125 billion dollars to 210 billion dollars.

I pointed out the need for this increase in my Budget message on January 6. A bill to authorize the increase was introduced in the House of Representatives on January 25 by Chairman Doughton of the Ways and Means Committee. The Treasury informed the Ways and Means Committee that the present debt limit would be insufficient to cover the necessary bond issues which would be required during the month of April.

The Treasury has advised me that, to permit the execution of its war financing plans the Public Debt Act must become effective without further delay. I am accordingly allowing the Bill to become law without my signature, in order to avoid embarrassment to our war financing program.

If the circumstances were otherwise, I should veto the bill. Even so, I cannot permit this legislation to become effective without registering my protest against the attachment to this Bill of an irrelevant and unwarranted rider.

There was attached to this Bill in the House a provision which would have taken from the President the right to stabilize salaries until they were raised above \$67,200 or the annual rate paid on December 7, 1941, whichever was the greater. This rider would have destroyed the entire stabilization program. It would obviously have been unfair to stabilize wages, and yet leave salaries free to rise to \$67,200.

This patently indefensible provision was eliminated in the Senate. But instead of dropping it altogether, the Senate substituted a provision removing from the Act of October 2, 1942, the President's authority, granted in terms by that Act to reduce wages or salaries "to the extent that he finds necessary to correct gross inequities and also to aid in the effective prosecution of the war." The effect of this provision, which was accepted in conference, is to terminate the authority given to and exercised by me to prevent the payment during the war of salaries in excess of \$67,200.

The reasons which prompted me to exercise the authority conferred upon me are fully explained in the letter which I sent to Chairman Doughton of the Ways and Means Committee on February 15. A copy of that letter is appended to this statement. As I explained in my letter, I agree with those who say that the limitation on salaries does not deal adequately with the problem of excessive incomes. Practical limitations ought by appropriate taxation to be placed on all income, earned and unearned. I urged and would have welcomed a special tax measure applicable to all excessive incomes from whatever source derived in place of the flat \$67,200 salary limitation.

But the Congress has chosen to rescind my action limiting excessive salaries without even attempting to offer a substitute. The result is that Congress has authorized the drafting of men into the Army for \$600 a year regardless of whether they are earning \$1,000 or \$100,000 a year, but has refused to authorize the reduction in the salary of any man not drafted into the Army no matter how high his income may be.

At the same time the stabilization program enacted by the Congress requires wage increases to be denied to workers earning \$1,500 a year even when their employers are willing to pay those wage increases. The essence of stabilization is that each should sacrifice for the benefit of all. This principle the Congress has failed to recognize.

Some 2 or 3 thousand persons who on September 15, 1942 were receiving salaries in excess of \$67,200 may continue to receive them. About 750 persons will be able to receive salaries in excess of \$100,000; about 30 persons, salaries in excess of \$250,000; and 3 or 4 persons, salaries in excess of \$500,000.

One hundred and thirty million Americans can make the stabilization program work even though a relative handful of persons are not obliged to cooperate as they should. The exemption accorded these excessively high salaries does not help morale, but American morale is too strong to be permanently injured by this ill-considered action.

The act of October 2, 1942 set up a stabilization program covering wages, salaries and prices. It could, of course, be revised or repealed by the Congress but subject, under the Constitution, to the approval or veto by the President.

The Congress, however, did not adopt this constitutional method.

It chose to take away the authority of the President to adjust salaries which were grossly inequitable, not by a separate law, but by attaching a rider to a Bill increasing the debt limit.

This system of attaching riders to Bills relating to a wholly different subject has been used by former Congresses in a number of notable cases. Such abuses of sound legislative procedure have been protested by many former Presidents, and the practice has been condemned by sound opinion. It is noteworthy that the Constitutions of many States require that a proposed law shall relate to only one subject.

In this particular case the problem is easy to understand.

If I veto this Bill, with its rider, the Treasury's war financing plans may be seriously retarded. I have no means of assuring prompt action by the Congress prior to a great bond issue, the sale of which is about to start. I have no means of preventing indefinite delay if either branch of the National Legislature should decide to recommit the measure to a Committee for further study.

If I sign the Bill I would be accused of giving my approval to salaries which most persons regard as excessive in the midst of a war for the survival of this Nation.

Thus the Congress has successfully and effectively circumvented my power to veto.

All that remains to me is to permit the Act to become a law without my signature.

I am doing this with two earnest objections. The first is against the practice of attaching extraneous riders to any Bill. The second is to make clear to the country that I still hope and trust that the Congress, at the earliest possible moment, will give consideration to imposing a special war supertax on net income, from whatever source derived, which after the payment of all taxes exceeds \$25,000.

I still believe that the nation has a common purpose -- equality of sacrifice in war time.

February 15, 1943

Dear Mr. Chairman:

Some days ago you wrote me that there was a proposal before your Committee to amend the Public Debt Bill by adding a provision nullifying the Executive Order issued by me under the Act of October 2, 1942, limiting salaries to \$25,000 after taxes, and asked if I cared to submit any views with reference to the proposal. In reply, I told you that I hoped the Public Debt Bill could be passed without adding amendments not related to the subject, but that if the Committee thought otherwise, I would later write you my views.

In a message to the Congress on April 27, 1942, I stated, ". . . discrepancies between low personal incomes and very high personal incomes should be lessened; and I therefore believe that in time of this grave national danger, when all excess income should go to win the war, no American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year." Thereafter the Treasury advised the Committee, "To implement the President's proposal, the Treasury now recommends the enactment of a 100% war supertax on that part of the net income after regular income tax which exceeds a personal exemption of \$25,000. * * * It is recommended that for the purpose of the supertax, joint returns be made mandatory and that a personal exemption of \$25,000 for each spouse be allowed, or in effect \$50,000 for the married couple."

So far as I know, neither House of the Congress acted upon the recommendation.

When the Act of October 2, 1942 was passed, it authorized me to adjust wages or salaries whenever I found it necessary "to correct gross inequities and also aid in the effective prosecution of the war." Pursuant to this authority, I issued an Executive Order in which, among other things, it was provided that in order to correct gross inequities and to provide for greater equality in contributing to the war effort, no salary should be authorized to the extent that it exceeds \$25,000 net after the payment of taxes. Provision was made for certain allowances in order to prevent undue hardships.

The legality of the Executive Order was attested by the Attorney General, prior to its issuance. No Executive Order is issued without such approval.

The regulation issued under this Order, with my approval, was so worded that it affected only gross salaries in excess of \$67,200, the amount of taxes due upon such salaries reducing them to approximately \$25,000 net. I could not exercise the discretion vested in me by the Congress to adjust salaries, without finding that it is a gross inequity in wartime to permit one man to receive a salary in excess of \$67,200 a year while the Government is drafting another man and requiring him to serve with the armed forces for \$600 per year. I believed it a gross inequity for the President of a Corporation engaged in the production of materials for the government, to receive a salary and bonus of \$500,000 a year while the workers in the Corporation were denied an increase in wages under the provisions of the law and my Executive Order. The correction of such inequities, I believed, would aid in the effective prosecution of the war.

I call your attention to the fact that the limitation of salaries was, by the language of the Order, limited to the war period; and that the law upon which the Order was based expires June 30, 1944, and can be continued only by the affirmative action of the Congress. Therefore, no fair argument can be made that the limitation was intended either by the Congress or by the Executive to become permanent law. The intention was made plain in my original message. I then and there affirmed my belief that this limitation should be made "in time of this grave national danger when all excess income should go to win the war."

This desire to limit personal profits during wartime is no new thought. Its origin is neither alien nor obscure. It is in accord with the solemn pledges of the Republican Party and the Democratic Party.

In 1924, just after our soldiers had returned from the first World War and the leaders of both parties were conscious of the views of the returning soldiers as to war profiteering, the Republican Party declared in its platform:

"We believe that in time of war the nation should draft for its defense not only its citizens but also every resource which may contribute to success. The country demands that should the United States ever again be called upon to defend itself by arms the President be empowered to draft such material resources and such services as may be required, and to stabilize the prices of services and essential commodities, whether utilized in actual warfare or private activity."

The Democratic Party platform the same year solemnly pledged:

"In the event of war in which the man power of the nation is drafted, all other resources should likewise be drafted. This will tend to discourage war by depriving it of its profits."

I repeat, this was in 1924, not 1928, and that these were the platforms of the Republican and Democratic Parties.

I agree with those who say that the limitation of salaries does not deal adequately with the problem of excessive personal profits and that the limitation should extend to all income. My Executive Order endeavored to correct the inequity to the extent of the power granted me. The Congress can, however, make the limitation adequate by extending it to the coupon clipper as well as the man who earns the salary.

Therefore, I urge the Congress to levy a special war super-tax on net income from whatever source derived (including income from tax exempt securities) which, after payment of regular income taxes, exceeds \$25,000 in the case of a single person, and \$50,000 in the case of a married couple. If the Congress does not approve the recommendation submitted by the Treasury last June that a flat 100% supertax be imposed on such excess incomes, then I hope the Congress will provide a minimum tax of 50% with steeply graduated rates as high as 90%. The exact amount of the exemptions to be allowed and the exact rate of taxation to be applied are necessarily arbitrary and these are matters the Congress must decide.

If taxes are levied, which substantially accomplish the purpose I have indicated, either in a separate bill or in the general Revenue Bill you are considering, I shall immediately rescind the section of the Executive Order in question. The Congress may appropriately provide that such taxes should take the place of the

I trust, however, that without such tax levies, the Congress will not rescind the limitation and permit the existence of inequities that seriously affect the morale of soldiers and sailors, farmers and workers, imperiling efforts to stabilize wages and prices, and thereby impairing the effective prosecution of the war.

Very truly yours,

FRANKLIN D. ROOSEVELT

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